

# OPEN MARKETS AND WELFARE VALUES

## Welfare values, inequality and social change in the silver age of the welfare state

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**ABSTRACT:** Market principles are becoming more prominent in citizen experience of public policy across Europe, as a result of economic globalization and the Maastricht commitment to 'open markets', and cost-constraint, privatization and labour market activation pursued in response to the various pressures confronting welfare states. These principles (inequality, competitiveness, allocation through ability to pay) contradict those traditionally associated with social policy (equity, solidarity, social justice). This paper examines the impact of current changes on welfare values in the various types of European welfare states (including accession states), using international attitude survey data. It shows that most citizens remain committed to mild egalitarianism. Citizen ideology will thus continue to buttress resilience to pressures for restructuring in the various welfare state regimes. The paper goes on to consider the impact of social change by examining the values of groups with particular interests who are likely to expand in significance as a result of labour market and population changes. This analysis shows that change does not lead in one direction. There is every likelihood that tensions between market and welfare values will be compounded by social change.

**Key words:** welfare state; values; liberalism; social attitudes; inequality; Europe

The European welfare state is widely seen as a successful solution to the problem of reconciling competitive capitalism to social justice, of civilizing the market. As many commentators have pointed out, after rapid development during the *trente glorieuses*, followed by the uncertainties of the oil crises, the increasing significance of international economic competition, the collapse of the soviet economies and the establishment

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of monetary union, it currently faces severe pressures. These changes are widely seen as limiting the scope for action of the welfare state in determining the level of public spending, the incidence of taxation and the relation between welfare provision and work incentives (for example, Ferrera and Rhodes 2000; Kuhnle 2000; Scharpf and Schmidt 2000; Taylor-Gooby 2001a). Welfare state values (concerned with fairness, redistribution and greater equality) are often distinguished from market values (inequality, incentives, competition and indifference to social justice). This paper considers the impact on welfare state values of the shift from the Golden Age of state welfare to the Silver Age of more open markets and constrained intervention.

## 1 Pressures on the Welfare State

Pressures on European welfare states derive from a wide range of sources. Pierson (2001a) identifies four as of most importance. First, he argues, the rate of productivity growth in the advanced economies tends to decline as employment in the manufacturing sector, where productivity gains are easiest to achieve, diminishes, and labour is transferred to the service sector, where productivity improvements tend to be more gradual (see, for example, Baumol 1976; Rowthorne and Ramaswamy 1997; Iversen and Wren 1998). This leads to declining growth rates just as population ageing and other factors increase cost-pressures. The future is one of 'permanent austerity'. As Table 1 shows, this argument is convincing for the period from the golden age of the 1960s to the recession of the mid-1990s, and is usually supported by data covering that period (see Iversen, 2001, Table 2.2; Pierson 2001a, Table 3.1). More recent developments may indicate an up-turn in productivity and growth trends, fuelled by globalization and by the recent expansion of markets in information and communication technology. It is difficult to evaluate the argument that there is a secular downward trend in growth rates implying a bleaker climate for welfare spending, until the final trajectory of the 2001/02 recession is established.

The three other factors are widely discussed and are less controversial. The high level of commitments into which welfare states have entered and which are now reaching maturity in relation to pensions, education and health care and other services, results in increasing costs. Population ageing also produces higher demands for pensions, health and social care services. Finally, the entry of women (especially married women and mothers) into the labour force in rising numbers in countries where this has not previously been the case, increases demand for jobs and for social care services to cope with the needs traditionally met through women's unwaged labour.

**TABLE 1. Growth and productivity in G7 countries, 1960–2001**

	1960–73	1973–83	1989–95	1995–00
<i>Growth</i>				
US	2.9	2.2	1.0	3.5
Canada	3.2	2.8	–0.4	3.4
UK	2.7	1.1	0.4	2.7
Germany*	3.7	1.6	1.7	1.6
France	4.3	2.3	0.9	2.4
Italy	4.6	2.7	1.4	2.0
Japan	8.8	3.2	1.8	1.5
<i>Productivity</i>				
US	1.4		0.3	2.3
Canada	1.5		–0.6	1.0
UK	1.8		–1.4	1.9
Germany*	2.5		–0.1	(4.3)**
France	2.1		–0.5	1.2
Italy	3.8		–0.1	2.3
Japan	6.4		0.2	2.1

\*Discontinuities in data; \*\*mfg sector only.

Sources: Jorgensen and Yip (1999) 'Whatever happened to productivity, investment and growth in the G-7?' *Bank of Japan Institute for Monetary and Economic Studies*, discussion paper 99-E-11, May; Calderon, C. (2001) *Productivity in the OECD Countries: a critical appraisal of the evidence*, Working paper no WP/01/99, IMF; OECD, Economic Statistics, Table 1 (annex), July, 2001. Source for recent productivity data: HM Treasury: Pocket book of indicators, website, 30.11.01.

This list corresponds to that advanced by most other scholars. Fritz Scharpf also argues that the international competitive pressures resulting from economic globalization are significant in restricting the range of activities that states can pursue in fiscal and labour market policy, and indeed anything that bears on competitive advantage: 'welfare states remain internationally viable only if their systems of taxation and regulation do not reduce the competitiveness of their economies in open product and capital markets – which implies . . . that redistribution must be achieved through public expenditures rather than through the regulation of employment relations, and that the costs of welfare have to be collected from the non-capital incomes and expenditures of the non-mobile population' (2000: 336). He concurs with Pierson and the others listed in the first paragraph in arguing that welfare states are remarkably resilient in their response to these pressures. They retain their distinctive features, while pursuing appropriate modifications to meet changed circumstances. The quotation above continues: 'within these economic constraints . . ., the overall size of the welfare state and the extent of redistribution remain a matter of political choice'.

Both writers use the three broad categories developed by Esping-Andersen (1990) in categorizing the response of welfare states to current

pressures. Pierson writes: 'the three worlds of welfare state reform' all include policies designed to advance cost-containment (2001b: 455). However, the more liberal countries tend to promote recommodification through the market by rigorous targeting and the expansion of the private sector, while more social democratic countries tend to mix cost-containment with recalibration of policies through consensual negotiation, so that the traditional goals are served with rather more efficiency, and the conservative corporatist countries pursue an updating of their existing programmes (especially of social insurance) to enable them to adapt to new patterns of demand. Similar points are made by a number of the authors referred to above.

Despite the agreement among most commentators that European welfare states are responding successfully to current pressures, but are experiencing real constraints on their activities, attitude survey data typically demonstrates a high measure of enthusiasm for state welfare, especially for the more widely used services which account for the bulk of welfare spending and even in those countries where spending is relatively low (see, for example, Coughlin 1980; Ferrera 1993; Evans 1996; Kaase and Newton 1996; Svallfors 1997; Svallfors and Taylor-Gooby 1999). The surveys reveal differences between groups linked to political values (typically the left is more eager for redistribution) and to interests (younger people are keener on education, older people on pensions and health care), but these are located within a high measure of general approval of welfare state spending. Interestingly, there does not seem to be a clear pattern of differences by regime type (Svallfors 1997; Taylor-Gooby 2002). Evidence from such surveys is frequently used to bolster the case for welfare state resilience when threatened by the various forces noted above (see Bonoli 2001: 246; Ross 2000: 20; Scharpf and Schmidt 2000: 254). Public attitudes limit the capacity of politicians to cut back on welfare to make the economy more competitive, and reinforce a politics of viscosity and path-dependency.

## 2 The Changing Policy Context

The pressures on welfare states discussed above are leading to policy changes as part of the adaptation process. They also produce continuing shifts in the policy-making environment, which will exert pressures on the future development of European welfare states. Here we note two kinds of change as relevant to welfare state values, to do with the increasing significance of markets and changes in the labour market and in population structure.

## 2.1 Market principles versus welfare principles

Market principles are becoming more important in influencing welfare state policies. As Scharpf and Schmidt point out, governments pursue directions that damage international competitiveness at considerable peril, and once the lessons of the French neo-Keynesian experiment in the mid-1980s, and the exchange rate crises in Italy, the UK and Sweden in the early 1990s have been noted, they are markedly reluctant to do so. The EU's single market and growth and stability pact bring home the point to European governments. As the President of the European Central Bank sums up the conventional wisdom on fiscal and economic management:

Greater flexibility in labour, product and financial markets together with sound fiscal positions and wage moderation will support the objective of maintaining price stability and will create stable conditions to foster employment creation. Such an interaction of policies . . . is the best possible way to enhance the long-term welfare of the citizens of the Euro area.

(Duisenberg, 2002)

The implication is that welfare taxes and contributions must not impose unjustified pressures on labour costs, pension commitments in particular must be cut back so that future costs are sustainable, a greater proportion of citizen welfare in area like pensions is to be met through a (more or less regulated) private sector, services must be run with the maximum of cost-efficiency and unemployed populations must be encouraged and prepared for productive work through active labour market policies with varying degrees of compulsion (Hvinden 2001). One result has been the flurry of reforms designed to constrain spending on social insurance schemes in European countries in the period immediately preceding the implementation of the Maastricht Treaty (Palier 2001). Reforms within welfare states designed to enhance cost-efficiency and consumer accountability also involve the development of markets within state subsidized and regulated services, most obviously in health and social care (Saltman *et al.* 1998: 4, 5). The capacity of welfare systems to insulate citizens from the demands made on them by markets is diminished.

Markets are significant in relation to welfare values since they involve principles very different from those which underlie many welfare states. Social democratic welfare systems embody principles of universality and entitlement that conflict with allocation by effective demand. Conservative corporatist welfare states, although they rely to a considerable extent on procedures analogous to contractual insurance, typically adopt measures to include those unable to gain access to such schemes, and, in any case, distribute risks across populations in a way very different from

that achieved in open competitive markets. Even strictly liberal regimes contain universalistic services (such as the UK's NHS), that provide services to the public on non-market principles, although internal markets are in fact used extensively within the NHS to promote the cost-efficient use of resources. While the liberal model typically gives wider scope to private market it includes state-financed highly redistributive targeted services to meet needs that markets do not supply.

In short, welfare states are designed in various ways and to different degrees to intervene in markets and redistribute resources to achieve more equitable outcomes. Competitive markets rely on effective demand to call forth the supply of services. They thus respond to inequalities in resources and the experience of citizens as consumers is more likely to be one of inequality in the services received. This tendency is enhanced by the increasing use of private services in areas like pensions in a number of countries, which tend to be targeted upwards, on those with the ability to pay. At the same time, activation strategies such as 'make work pay' programmes tend to increase the income gap between those out of those in employment, so that the experience of citizens as workers in increasingly re-commodified.

More open markets may increase inequalities and sharpen the conflict with welfare state principles. Table 2 gives evidence from the Luxembourg Income Study which shows a worsening of inequalities in almost all the countries with which we shall be concerned (chosen to represent a range of regime types, including Esping-Andersen's liberal, conservative, social democratic triad and also ex-soviet and Mediterranean groups – see below). The table covers the period from the early 1980s to the mid-1990s, the longest period over which comparable data for almost all the countries studied can be conveniently located. It gives the ratio between the tenth and ninetieth percentile which allows us to examine the position of the extremes of the social continuum, and the Gini coefficient which

**TABLE 2. Inequality: early 1980s to mid 1990s (LIS)**

	<i>Liberal</i>		<i>Conservative</i>		<i>Soc. Dem.</i>		<i>Ex-soviet</i>		<i>Medit.</i>	
	<i>Aust</i>	<i>UK</i>	<i>wGer</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Spain</i>	<i>Port</i>
<i>90th/10th percentile ratio</i>										
Early 1980s	3.93a	3.53c	2.89a	3.40a	2.43a	2.76c	2.37f	3.51e	4.37h	n.a.
Mid 1990s	4.33b	4.57d	3.18b	3.54b	2.61d	2.83d	3.01g	4.04d	3.96i	n.a.
Gini coefficient										
Early 1980s	0.28a	0.27c	0.24a	0.29a	0.20a	0.22c	0.21f	0.27e	0.32h	n.a.
Mid 1990s	0.31b	0.34d	0.26b	0.29b	0.22d	0.24d	0.26g	0.32d	0.30i	n.a.

(a) 1981; (b) 1994; (c) 1979; (d) 1995; (e) 1986; (f) 1992; (g)1996; (h) 1980; (i) 1990.

provides a more general measure of inequality. Inequality was lowest at the beginning of the period in the Nordic countries, the Czech Republic and Germany. It increased by the mid-1990s, most clearly in the liberal and eastern countries, but decreased in Spain. Other studies some using data from different sources, show a more complex pattern (see also Mäkinen 1999; Förster 2000; Scharpf and Schmidt 2000: 257, 271; Huber and Stephens 2001: 299). It seems reasonable to suggest that there may be pressures towards greater inequality but it is difficult to estimate how this will emerge in practice. The fact that the period covered ranges from one of relative growth to one of recession may lead the data to exaggerate the trend towards greater inequality.

Markets and associated inequalities are growing in importance. Analysis of welfare values must take into account citizen views on the balance between state redistribution and market freedoms.

## 2.2 Social change and welfare interests

The second set of issues relevant to welfare values concerns shifts in the social groups with particular interests or needs. These developments are well known. The proportion of older people in the European population is rising, from 12 per cent in 1980 to 16 per cent by 2001 and projected to reach 25 per cent by 2030 (EC, 2000: 30). The percentage of women joining the labour force is also increasing, from 55 to 60 per cent between 1991 and 2000, with further increases expected (EC, 2001: 110). Everywhere, employment in the state sector contracts and correspondingly expands in the private sector (Oxley and Martin 1991).

In relation to occupational sector, as noted above, the proportion of jobs in the service sector is also increasing and the proportion in manufacturing, mining and agriculture declining as a result of the differential impact of productivity gains. This reflects organizational opportunities and also, most importantly, the capacity to deploy technological advances which involve investment in machinery or electronics to save human labour in the sectors which account for fewer jobs. It has been argued that this has stringent implications for future growth rates. Cross-cutting the service/manufacturing division is the issue of how far jobs are affected by international competition as a result of the trend to more open markets.

These two factors may be combined to create a distinction between an 'exposed' sector of the economy, where both international competition and the productivity gains in manufacturing have the most impact on employment and a 'sheltered' sector, which depends more on national developments. Employment in the exposed sector will tend to decline and in the sheltered sector to expand. A crude division, building on Scharpf

**TABLE 3. Proportion of the labour-force in sheltered and exposed sectors, 1980 and 2000 (%)**

	<i>Aust</i>	<i>UK</i>	<i>Ger</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Sp</i>	<i>Port</i>
Sheltered sector										
1980	25.8	33.2	29.1*	31.9	28.6	29.5	37.3	38.8	30.2	23.6
2000	33.9	41.9	40.0	36.7	33.3	37.2	18.8	24.3	39.1	38.7
Exposed sector										
1980	35.6	28.4	33.9*	25.8	23.8	20.0	13.2	22.4	25.0	25.6
2000	27.8	17.0	15.7	18.4	18.1	13.2	25.6	20.9	18.8	22.4

\*Former West Germany only.

Sheltered sector: finance, insurance, real estate and business services; construction; wholesale and retail trade, restaurants and hotels (ISIC 5, 6 and 8).

Exposed sector: manufacturing. (ISIC 3).

Source: OECD (2001).

(1999) would put finance, real estate and business services at the high skill end of the sheltered sector and construction, wholesale and retail trade, restaurants and hotels at the lower skill end; similarly chemical, metal and machinery manufacturing can be put at the high skill end of the exposed sector and food, textile and clothing manufacture at the most vulnerable low-skill end. Table 3 charts trends in employment in exposed and vulnerable jobs. The exposed sector has contracted and the sheltered sector expanded in most countries, most notably in the more flexible liberal and Mediterranean group, while the opposite trend has taken place in the accession states, which have been able to attract manufacturing from countries with higher labour costs in a more open market.

These changes all have implications for overall patterns of welfare state values. Older people with their particular needs, women workers who require affordable support services, and also jobs, private sector as against state sector workers, who tend to require an economic regime which supports their sector of the economy, and those in the exposed as against the sheltered sector of the economy, who are most immediately affected by the international competitiveness of the economy, all have distinctive interest in relation to the balance between state and market in a society. These interests are likely to be reflected in attitudes.

### 3 The survey

In this paper we examine the question of how current shifts associated with contemporary pressures on the welfare state – the greater importance of market forces in citizens' lives and the diminished capacity of welfare states to protect citizens from them, and the changes in populations structure and family and work patterns outlined above – will affect welfare



values. We review material from the International Social Survey Project (ISSP) survey for 1999 on attitudes to inequality and the role of the state in welfare, taking into account the developments mentioned above. The ISSP is an annual survey which has run since 1985 and now covers 28 countries. It uses a common questionnaire with a stratified random sample in each country, often included as a module within a general population survey, and fieldwork and data preparation standards are considered high. Each year deals with a different theme. The theme for 1999 (the most recent year for which data is available) was social inequality.

Theoreticians and empirical scholars have argued that welfare states can be categorized by regime type (see Abrahamson 1999, for a review of the debate). The paper also considers how well this approach, originally based on analysis of the Golden Age of welfare state expansion, applies to the political consciousness, values and interests of citizens and trajectories of welfare state development in the Silver Age of cost-constraint and open markets. Five distinct types of welfare state relevant to the European context are included – the three regimes identified by Esping-Andersen and used by Pierson and Scharpf and Schmidt, the Mediterranean regime, distinguished by Ferrera and others, and a further post-communist regime, to cover the new Eastern European accession states with distinctive political economic histories, likely to join the EC in the next few years. Following the work of Svallfors (1997), two countries in each regime type are chosen, so that it is possible to make comparisons both within and across regime types and examine whether identified differences should be attributed to regime or to national idiosyncrasy. Since there is really only one liberal-leaning country in Europe (the UK) it has been necessary to include a representative non-European country (Australia) for this regime. It should be noted that the German data represents former West Germany. Separate data from former Eastern Germany are available, but this study focuses on the west as this was the area used by Esping-Andersen to typify the conservative regime in 1990 and attitudes in the former eastern *länder* are sharply different from those in the more prosperous west.

## 4 Welfare values and market inequalities

### 4.1 The interventionist welfare state

As in previous rounds of the survey, the majority of the population in the countries considered is supportive of the basic welfare state principles of intervention in an egalitarian direction and progressive taxation. There is a high level of agreement with the statements that it is ‘the responsibility

**TABLE 4. Welfare state and market principles**

<i>Agree:</i>	<i>Aust</i>	<i>UK</i>	<i>wGer</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Sp</i>	<i>Port</i>
Govt should reduce inequalities	50	69	53	68	60	62	72	85	79	90
Progressive tax	78	79	79	73	76	76	78	85	85	88
Inc differences necessary	20	18	30	16	21	17	19	28	28	27
N	1602	758	830	1848	1110	1226	1771	1061	1177	1129

of government to reduce income differences’, and that ‘people with high incomes should pay a larger share of their income tax than those with lower incomes’ (Table 4). The principle of a redistributive welfare state is firmly entrenched, supporting the idea that citizen attitudes provide a good setting for welfare state resilience. Only a small proportion accept the market inequality argument that ‘large income differences are necessary for the country’s prosperity’. Within this overall pattern there are some differences between regime type: the liberal and conservative regimes do not differ greatly, Nordic countries appear rather more committed to state welfare, and there is a very clear enthusiasm in ex-Soviet and Mediterranean countries for welfare state values. In relation to support for market principles, there is an interesting pattern. Mediterranean countries, Poland and West Germany are more inclined to support this direction, indicating differences within the conservative and eastern regime types in this area, despite the similarity in support for the basic principles of state welfare. The liberal states fall in the middle of the range of support for market principles.

A large number of questions within the survey enable attitudes to inequality to be explored in more detail. Here we consider three areas: images of national inequality and aspirations for national patterns of inequality; ideas about what various occupations should be and are paid and (an area which again returns us to the issue of the relationship between market inequalities and welfare state principles) tolerance of privileged access to health and education services by those who can afford to pay for them.

#### 4.2 Patterns of inequality

The question about national inequalities follows an ingenious procedure. Those who participated in the survey were shown five ‘images of society’ (Figure 1) described as: ‘a small elite, few in the middle and a broad base’, a ‘pyramid’, a ‘pyramid, but with just a few people at the very bottom’, a society ‘with most people in the middle’; and ‘a many near the top and

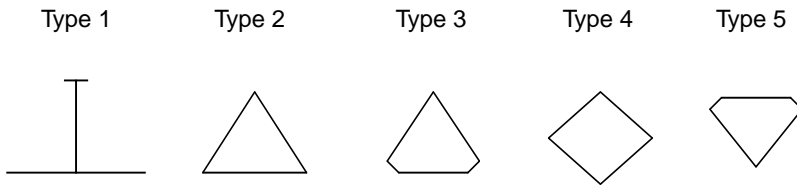


Figure 1. Images of Inequality

TABLE 5. Images of Inequality: perceived reality and aspiration

	<i>Aust</i>	<i>UK</i>	<i>wGer</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Spain</i>	<i>Port</i>
Reality										
Type 1	9	18	12	13	11	3	<b>31</b>	<b>59</b>	8	17
Type 2	<b>33</b>	<b>23</b>	<b>30</b>	<b>50</b>	<b>25</b>	11	<b>36</b>	<b>20</b>	<b>37</b>	<b>47</b>
Type 3	<b>25</b>	<b>30</b>	<b>29</b>	<b>23</b>	<b>29</b>	<b>20</b>	19	9	<b>27</b>	19
Type 4	<b>32</b>	<b>28</b>	<b>27</b>	13	<b>34</b>	<b>58</b>	12	8	<b>25</b>	12
Type 5	1	1	2	1	1	8	2	4	3	5
Aspiration										
Type 1	1	2	1	1	1	1	1	2	2	3
Type 2	6	5	9	9	5	4	6	10	7	7
Type 3	14	9	14	<b>23</b>	12	7	<b>20</b>	11	13	16
Type 4	<b>55</b>	<b>50</b>	<b>60</b>	<b>46</b>	<b>49</b>	<b>57</b>	<b>50</b>	<b>52</b>	<b>49</b>	<b>49</b>
Type 5	<b>24</b>	<b>35</b>	16	<b>22</b>	<b>34</b>	<b>32</b>	<b>24</b>	<b>24</b>	<b>30</b>	<b>25</b>
N	1619	935	789	1808	1047	1170	1780	921	1026	1144

only a few near the bottom'. The series thus moves from an image of a highly unequal society through various images of greater equality, although it does not offer inverse variants of the first two patterns. The diamond (the fourth model) is the most equal in terms of the balance between those privileged and those dis-privileged, while the fifth type puts the greatest proportion in an advantaged position. The respondents were then asked which image best corresponded to the current pattern of inequalities in their society, and which image best corresponded to the way inequalities ought to be distributed (Table 5).

Cells containing one-fifth or more of respondents are emboldened. The table shows a number of interesting differences. There are divisions both between and within regime type in perceptions of current patterns of inequality. The Mediterranean countries and former eastern Europe (especially Poland) and, interestingly, France, are most likely to see their countries as unequal, while the social democratic countries, Germany, and, strikingly, the liberal regimes tend to see themselves as having a greater proportion of citizens towards the top. When it comes to views about how society should be organized, there is more agreement. Type 4 – the balanced 'diamond' – is most popular everywhere, with a noticeable number (especially in the UK, the Nordic countries and Spain, but not in

Germany) aspiring to Type 5 – the inverted ‘clipped triangle’. However, as they understand the current situation, most people think that their society should be more equal, even in liberal and conservative regimes, in keeping with support for state redistribution of income to reduce inequalities.

4.3 Inequalities in pay

Ideas about pay indicate similar aspirations towards equality. The survey asks people about real and ideal pay levels for nine occupations (unskilled factory worker, shop assistant, owner/manager of a large factory, lawyer, skilled factory worker, GP, chair of a large corporation, and a cabinet minister, and one’s own) of which we include only the first four, in order to provide contrasting higher and lower paid examples in the more exposed manufacturing and more sheltered service sectors (Table 6).

The table shows that most people are aware of the pay differentials between occupations, and that in all cases, people think rewards for the lower paid should be increased and for the higher paid reduced. The view that lower paid people should be paid more is particularly strong in the Mediterranean and eastern countries. Differences between countries in the same regime group appear as substantial as those across groups and there is no obvious regime pattern apart from that mentioned above. There is also no obvious difference between views on exposed and sheltered sector jobs, indicating that the exigencies of competition in an open international market, subject to rapid introduction of new technologies, do not influence people’s ideas about how jobs should be rewarded.

**TABLE 6. Occupation reward by income decile – perceived and ideal**

	<i>Aust</i>	<i>UK</i>	<i>wGer</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Spain</i>	<i>Port</i>
Perceived										
Unskilled worker	2.5	3.4	4.6	1.8	2.0	4.1	1.9	2.9	3.6	3.3
Factory owner	8.5	9.5	9.8	8.8	6.6	9.7	9.9	9.8	8.5	9.3
Shop assistant	2.9	3.1	4.9	2.2	2.0	4.0	2.4	3.1	3.7	4.0
Lawyer	9.1	9.6	9.6	7.6	5.3	9.5	9.4	9.3	7.3	9.5
Should be										
Unskilled worker	3.5	4.2	5.2	2.7	2.2	4.5	3.1	5.0	4.3	5.3
Factory owner	8.5	9.4	9.7	8.1	5.3	9.3	9.7	9.6	7.6	9.1
Shop assistant	3.8	4.1	5.7	3.0	2.2	4.7	4.1	5.4	4.3	5.8
Lawyer	8.6	9.2	9.4	6.5	4.4	8.7	9.0	9.2	6.7	9.2
N	1555	691	606	1659	1033	1186	1451	892	821	974

*Note:* the question asked for a response in terms of national currency. In the above table the average sums given for each country are expressed in terms of deciles of the national income distribution.

Respondents to the surveys tend to be mild egalitarians, with a concern for the underdog, in their attitudes to rewards in the private sector as in their views on what governments should do. They do not acquiesce in pressures of a more open and competitive market.

#### 4.4 Inequalities and market provision

The issue of acceptance of the advantages enjoyed by those who have greater resources in a market points to interesting issues about the future of egalitarian welfare under circumstances of cost-constraint, where the private sector is likely to grow more important. The survey asked: 'is it just – or unjust – that people with higher incomes can buy better health care/education than people with lower incomes?' (Table 7).

While the use of market power in these areas nowhere receives majority support, there is a measure of endorsement in the liberal countries as regime theory would predict. Elsewhere, no more than a quarter, and, in most cases, less than a sixth, of the sample support market inequalities of access. Interestingly there is also noticeable support in Poland and (for education) Portugal, and considerable differences within each pair of countries indicating that, apart from the distinctive pattern of the liberal countries, regime theory is not a good guide to popular acceptance of market principles in most welfare states.

The pattern of attitudes to inequality in different countries is clearly complex. When the broader pattern across the different countries is examined, a picture emerges of endorsement of a redistributive welfare state and of consistent support for a reduction in social inequalities, in general images of inequality and in relation to pay levels of different jobs. Support for market inequalities in access to welfare is very limited, but rather stronger in the more liberal states. The pressures of economic globalization and of new technology appear to make little impact on the structure of attitudes. In other respects, there is no clear pattern of attitudes by regime.

If future patterns of welfare are to be more strongly influenced by the accommodation of welfare state principles with market exigencies, as seems likely in the face of more open international and European

**TABLE 7. Should higher incomes buy better services?**

	<i>Aust</i>	<i>UK</i>	<i>wGer</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Spain</i>	<i>Port</i>
Health care	30	42	13	3	11	19	15	24	9	3
Education	33	45	13	6	11	15	9	24	8	22
N	1617	801	885	1871	1131	1234	1796	1050	1202	1137

competition, the conflict between citizen attitudes and the demands of the policy adaptation is likely to grow more marked. Welfare values will then continue to reinforce path-dependency and hinder the shift to more market-oriented welfare. However, these factors operate in a changing context. The social changes discussed earlier are modifying patterns of social interests in ways they may also influence welfare values in the future. Here we consider the attitudes of the groups that are likely to grow more significant as a result of shifts in population structure and in the labour market.

### 5 The impact of social change

We identified changes in four areas: expansion of the numbers of working women; population ageing; growth of the sheltered sector of the economy against the exposed sector; and the declining proportion of the work-force employed by government. The groups involved all have particular interests in the balance of state and market activity in a more open economy. The first two need particular services, although women in the labour force also require jobs. Sheltered sector workers are less directly affected by international competitiveness than are those in the exposed sector, and state employees have an obvious interest in the balance of public and private sector. How do these shifts relate to welfare values? Tables 8 and 9 give information on the extent to which the relevant groups assent to the two key variables, measuring support for welfare state redistribution

**TABLE 8. Social change and support for a redistributive state**

	<i>Aust</i>	<i>UK</i>	<i>wGer</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Spain</i>	<i>Port</i>
Older (54+)	<b>55</b>	68	53	<b>63</b>	61	<b>68</b>	76	<b>93</b>	80	92
Working women	<b>42</b>	71	<b>59</b>	<b>75</b>	<b>68</b>	<b>69</b>	72	85	79	91
Sheltered sector	46	71	<b>44</b>	66	58	66	74	<b>76</b>	79	n.a.
Private sector	46	69	48	68	<b>53</b>	<b>57</b>	68	<b>79</b>	80	90
Average	50	69	52	68	60	62	72	85	79	90

**TABLE 9. Social change and endorsement of market inequalities**

	<i>Aust</i>	<i>UK</i>	<i>wGer</i>	<i>Fr</i>	<i>Swed</i>	<i>Nor</i>	<i>Cz</i>	<i>Pol</i>	<i>Spain</i>	<i>Port</i>
Older (54+)	23	<b>28</b>	33	<b>21</b>	20	18	20	28	32	30
Working women	17	<b>9</b>	26	<b>9</b>	<b>16</b>	<b>12</b>	16	32	24	24
Sheltered sector	17	18	<b>37</b>	<b>8</b>	23	15	21	31	28	n.a.
Private sector	19	19	32	14	<b>27</b>	19	20	24	28	25
Average	20	18	30	16	21	17	19	28	28	27

on the one hand, and endorsement of inequalities as necessary to drive economic markets on the other.

The pattern of responses is complex and cells which differ by at least 5 per cent from the overall average are emboldened, for convenience. Older people favour state provision, especially in Australia, Norway and Poland, but not in France. Everywhere (and especially the UK and France) they endorse market inequalities as necessary to national prosperity, so that for this group market and state do not stand in simple opposition. Working women are noticeably keener on state welfare, except in Mediterranean and Eastern countries (where they do not differ greatly from other respondents) and in Australia, where they are much less enthusiastic. They are less supportive of market inequalities, with the weak exception of Poland. Thus the idea that the attitudes of women in employment should be influenced by a need for state provision is endorsed in most cases. Views in the sheltered sector also vary – expressing noticeable concern about a redistributive state in Germany and Poland, and more weakly in most other countries, and keen on the market in Germany, but markedly not in France. Private sector workers, as predicted, do not support the redistributive state, especially in the Nordic countries and Poland, and tend to endorse the market, especially in Sweden.

There is little evidence of regime similarities here, and noticeable differences, for example, between Australia and the UK and France and Germany, in relation to the views of working women and those in the sheltered sector. The Nordic countries do seem to share endorsement of the welfare state and concern about the market, except among those in the private sector. Some groups seem to share attitudes across a number of countries, but with considerable variations in the degree of endorsement and some converse instances. For example, working women are generally pro-welfare state (except in Australia) and anti-market, while those in the private sector are generally anti-welfare state and pro-market. Older people are generally pro-welfare state (except in France), but also pro-market. The views of sheltered sector workers contain substantial variations, for example between France and Germany.

The widespread differences between countries in the same regime category indicates that regime theory may not be a good guide to welfare state values among the groups subject to change. It also suggests conflicts in values between the various social, demographic and labour market groups which may have an impact on policy, as their relative size and influence changes. Some groups (working women and private sector workers) are opposed in their views, while older people combine support for the redistributive state with approval of market inequalities.

In order to examine the overall relationship between group interests further, we aggregated the data across the countries in the study and

**TABLE 10. Welfare values – odds ratios**

<i>Endorse:</i>	<i>State redistribution</i>	<i>Market inequalities</i>
Older (54+)	1.06	1.19**
Working women	1.20**	0.73**
Sheltered sector	0.95	1.01
Private sector	0.86**	1.16**
Constant	1.92**	0.24**
% correct predictions	66	80
Model chi-squared	34**	63**

\*\*Significant at 1% level; \*significant at 5% level.

All variables are coded value 1 for presence of the characteristic listed, otherwise zero.

constructed logistic regression equations with support for state intervention in a more egalitarian direction and for inequalities to drive market prosperity as dependent variables. Table 10 shows the odds ratios. These confirm the pattern noted above. The relationships are not strong and the influence of sheltered sector employment is not significant at the 5 per cent level in either model, possibly because this group draws members from a range of social class and income backgrounds, so that a common interest in relation to economic globalization and technological change is not immediately apparent.

Older people and private sector workers support market principles, and the later group oppose welfare state redistribution. Working women however, endorse state redistribution and are unsupportive of market inequalities. This is particularly interesting, since the jobs of many of those women are provided through the private sector, and, in many cases, even those who are state sector workers will have close marriage and family relations with private sector employees, as Pierson points out (2001b: 443). Commitment to state provision appears to outweigh this interest. Thus the impact of the social changes examined on welfare values is not simple. Some important changes tell in different directions, which is likely to lead to further conflicts in the future.

## 6 Conclusion

Welfare systems across Europe are experiencing substantial pressures for reform. Changes are proceeding gradually in most cases and taking the form of adaptation to changing circumstances, rather than wholesale restructuring. However, market values are becoming more prominent in citizen experience and in welfare politics, as economic globalization and the Maastricht process lead to more open markets, and as welfare systems



expand private provision, modify services so that conflicts with national economic competitiveness are minimized, use market systems to enhance cost-efficiency and responsiveness and seek to activate groups in the non-working population. All this takes place in a context of rising numbers of older people and of women workers, a decline in state employment and an expansion of the service sector and of the more sheltered areas of the labour market at the cost of the more exposed areas, especially at the lower value-added end of manufacturing industry.

The analysis shows that welfare values in relation to state redistribution and the role and significance of the market do not follow the divisions of regime theory, nor do they conform to free market premises. In general, most people endorse the interventionist welfare state, committed to the improvement of social equality. They do not concede the market principle that inequalities are essential to improve national prosperity. Nor do they accept that those with higher incomes should be able to buy better health care and education, even in the more liberal regimes. The tension between welfare and market values is not likely to be resolved by future shifts in the pattern of social interests. When the views of the social groups that are likely to expand as a result of current social changes are examined, it is difficult to identify consistent national patterns. Conflicts between the views of different groups emerge, working women endorsing the welfare state and private sector workers the market inequality model of society.

The pattern of welfare values and social change indicates that there is potential for conflict in two directions. First the increased reliance on market principles in many aspects of European political economy is likely to collide with citizens' enthusiasm for interventionist state welfare, organized on a basis that contradicts such principles and promotes more equal social structures and rewards for different occupational groups. Secondly, as welfare changes proceed, the market itself is likely to produce conflicts about the role of the welfare state between those who identify their interests with market freedom and those who feel a need for supportive collective services. Welfare values contradict market values. Current directions in the development of the European welfare state will sharpen this opposition.

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