

# **The future of the welfare state: paths of social policy innovation between constraints and opportunities**

Urbino, 17-19 September 2009

## **The Dynamics of Four European Social insurance-based Welfare States Since the middle-1990s**

Anne REIMAT (\*)

Paper presented at the 7th ESPAnet conference 2009

Session: nr. 19. The Future of the 'Bismarckian' Social insurance: Consequences of Structural Reform

(\*) OMI EA2065 – University of Reims  
57 bis rue P. Tainttinger – 51096 REIMS Cedex France  
anne.reimat@univ-reims.fr

## 1. INTRODUCTION

The Bismarckian welfare states have met many difficulties in the last decades. Their social protection regime is mainly founded on social contributions based on wages.

This means of funding is often accused to increase labour costs and unemployment, to decrease the firm's competitiveness and to encourage relocations (even if some economists argue that the way of funding is not relevant to explain the competitiveness, and empirical studies don't allow to settle once and for all the debate). Social insurance-based welfare is also accused to privilege the labour market's insiders, the workers of the 'internal labour market', and to ensure a bad protection for the long-term jobseekers and the non-standard workers. A third criticism concerns the equality between men and women (social insurance-based welfare would discourage women's employment) in the context of the individualization of social rights and entitlements.

So Bismarckian welfare states have certainly faced up more internal and external pressures than others for reforming their welfare. They have implemented many reforms in the main fields of social protection.

The aim of the paper will be to underline the recent main dynamics of four social insurance-based welfare European countries, Austria, Belgium, France, and Germany (with also some mentions to The Netherlands' 'hybrid welfare').

More precisely, is there a convergence/divergence of the welfare systems between these bismarckian welfare states? Is there a convergence/divergence of the welfare systems between this bismarckian welfare regime and other European welfare regimes? Is the Esping-Andersen's welfare regimes typology still relevant to explain the recent welfare changes? For researchers who have categorised welfare states according to their different institutional structures, the question of converging trends in the field of social policy is of particular theoretical importance.

In a theoretical point of view, these issues are linked to the topics of the strength of '*path dependency*' or the strength of the orientation towards a single 'best way', and represent a contribution to a theory of institutional changes in the field of welfare (what is convergence? Policy convergence? Outcome convergence? Convergence of broad policies goals?). These points are the subject of **section 2**.

The main trends followed since the early 1990s by the social insurance-based welfare states are analysed in the following section. The evolution of social protection benefits will be studied, and the evolution of social contributions, characteristic of the Bismarckian welfare states, will be compared with the average of the EU's countries, and compared with other European welfare regimes.

Two indicators of particular interest for the evolution and the future of Bismarckian welfare states will be analysed in addition. The first is the weight of benefits in kind in total social protection expenditures, as a good

indicator for the importance of public services in social care, which are generally more developed in countries where women employment rate is high, so it can also estimate changes of social insurance-based welfare countries towards a model 'more supporter' of women's employment (social insurance-based welfare is often accused to promote the 'male bread winner' type of family; but is it still the case?). The second will be the evolution of the non-means tested benefits, expected higher in social insurance-based welfare countries, because insurance benefits are more closely tied to former employment status and income related. We will essentially use the Eurostat's database in order to use homogeneous and comparable data (**third section**).

The last section of the paper will analyse the whole results obtained, and will discuss the 'convergence hypothesis' for the countries studied. It will allow presenting some features expected about the future of the social insurance-based welfare (**fourth section**).

## 2. CONVERGENCE THEORY AND DYNAMICS OF BISMARCKIAN WELFARE STATES

The Bismarckian Welfare States are often described as more stable than others, even 'frozen' (Palier, 2007).

What are the arguments which have conducted scholars towards this statement? And can they be considered as valid?

First, the main characteristics of Bismarckian welfare states are pointed out, then the theories of institutional changes in the field of social protection, mainly founded on the idea of convergence, are discussed, with special concerns for the issue of change in Bismarckian welfare states.

### 2.1 Bismarckian welfare states

Some features are common to the Bismarckian welfare states (BMSs), or the 'conservative-corporatist welfare regime', according to ESPING-ANDERSEN (1990), which can constitute the basis to describe an ideal-typical BMSs.

It takes its roots in corporatism and then it is characterized by schemes intended to protect the status of the workers (corporatist). Therefore, it reinforces the distribution resulting from the market (conservative). So, the level of decommodification in this regime is moderate.

Its financing is largely founded on mandatory social insurance. The finality of the regime is to guarantee the worker's income, on the basis of the former income. It thus contributes to support the status differences and the income inequalities. It is described as 'supporter of corporatism' because it is founded on an organization by 'corporation' or 'employment status'. The professional solidarity plays an essential role, centred on the workers well-positioned on the labour market, the 'core workers', and providing to the workers social security benefits in relation to their professional status. That's why the terms of 'mandatory social insurance' or 'social-

insurance based' can be used to qualify this model in so far as the financing is widely based on social contributions. The social benefits are mainly provided in cash, and wage-related. The mandatory social insurance welfare perfectly protects the insiders on the job market. On the other hand, it badly protects the outsiders excluded both from standard employment and social protection.

This model discourages women employment, and encourages the 'male-breadwinner' type of family. Housewives and children are welfare beneficiaries because the family man is insured. Care services delivered in kind for family (children care, old age care) are not much developed.

In Europe, the continental countries present social insurance-based welfare systems like Germany, Austria, France, The Netherlands, Luxembourg, north Italy, Belgium, Hungary and the Czech Republic.

These distinctive features lead to different issues for the BWSs.

This welfare regime is confronted with the goal to guarantee the equality between men and women and the individualization of the social protection rights. Until the universality of social protection is tied with full employment and standard employment, the regime is faced with the increase of non-standard workers and long-term unemployment on the labour market. The means of funding is often accused to increase labour costs in a context of increasing competition across nations. The topic of dynamics and change in BMSs is then of particular interest.

## 2.2 Convergence theory and dynamics of Bismarckian welfare states

At a first glance, convergence in social protection can be seen as a process by which the social protection national systems tend to become more alike in terms of expenditures per inhabitant, social programs, means of funding, management and broad organization.

In the field of changes and reforms occurred in social protection systems, the idea of convergence/divergence overcomes the debates.

Indeed, such debates present great theoretical, empirical and social policy interest.

But, as we will see below, the concept of convergence in social protection raises many questions.

### *Different levels of convergence*

First of all, **different levels of convergence** can be distinguished.

Hay (2004) and Van Gerven (2008) identify at least four different levels of convergence in the welfare state reform process.

**Input convergence** or convergence pressures occur when pressures and challenges faced up by socio-economic systems are converging. These convergence pressures can arise from within the welfare state

(demographic pressures like ageing population, long-term unemployment, increase in women employment, changing family structures...). Or the convergence pressures can result from external pressures. Through economic internationalization and European integration, national governments are supposed to have lost at least partly the driving of their economies and the system of social protection.

*Policy convergence* concerns the convergence of the policies or policy instruments used in response to the pressures and challenging.

*Ideational convergence* is the convergence of the ideas and cognitive filters used to identify and understood the pressures and challenges. Hay (2004) particularly draws the attention on the role of ideas: according to him for instance, the idea that globalization entails neo-liberalization has become something of a self-fulfilling prophecy and, as such, an independent driver of neo-liberalization in Europe.

*Outcome convergence* refers to the convergence of policies performance, and can be characterized through quantitative and qualitative indicators about welfare systems. But the statistical assessment of convergence is very sensitive to indicators choices and methodological choices.

These different levels of convergence can lead to confusions. For instance, a general problem related with convergence studies is that evidence of convergence in outcome is easily taken to indicate convergence of policies. Or, on the contrary, more similar policies are often taken to automatically lead to convergence in outcomes (Montanari and *al.*, 2007). As we will see below, this assessment neglects the wider socio-economic context as well as the issue of implementation.

*Goal convergence*, when the objectives of the policies are the same, like in the EU with the Lisbon objectives, can be added to the convergence levels listed above. For the EU, the European Council in Lisbon (2000) marked an important step as strategic goals were settled for the decade. Since the Treaty of Nice in 2001, it was agreed to advance social policy on the basis of the Open Method of Coordination, first employed in the field of employment policies. Social policy remains the responsibility of member states, but common objectives about social indicators were defined (Commission of the European Communities, 2005)

Lastly, *institutional convergence*, which occurred when the social protection institutions become more similar, is a particular important level of convergence. The institutions are often supposed to be resistant to change, which is enhanced through the concept of 'path dependency'.

If many analysts argue that social protection systems have converged, some argue that the common pressures faced by the national systems are interpreted differently and lead to different policies and different outcomes. Some analysts even uphold that there is rather a divergence as regard to some indicators commonly used for the empirical studies on welfare states.

The concept of convergence is in itself neutral, in the sense that converging trends can be upwards, downwards or towards the middle. But the debates about convergence in social protection are more focused on the idea of welfare state retrenchment.

### ***Convergence pressures hypothesis for welfare states: welfare state retrenchment***

Empirical studies show that from the 1950s, social expenditures have grown in rich countries. The hypothesis is that due to similar developments as industrialization and economic growth public expenditures on welfare of modern societies will converge (Williamson, Fleming, 1977).

This can be labelled 'old convergence hypothesis' (Montanari and *al.* (2007). Using data on replacement rates (unemployment benefits) and social expenditures ratios for 14 European Union countries, Cornelisse and Goudswaard (2002) find a rather strong trend of relative convergence and even an absolute convergence on the 1980s and the 1990s. But there is no evidence that these trends are the result of the European integration. For Caminada, Goudswaard and Van Vliet (2008), the overall result of quantitative studies seems to show that there is an upward convergence in social expenditures across European countries over the last 25 years.

But from the mid-1990's, the central argument is that globalization and Europeanization (so converging external pressures) lead to a downward convergence of social expenditures. This leads to a new convergence hypothesis, the 'welfare state retrenchment'.

Theoretically yet, external pressures can be either favourable or harmful for social protection.

On the first hand, according to the standard economic theory (Sala-i-Martin, 1996, provides a discussion on economic theory and convergence), globalization as well as European integration promote economic development, so it may contribute to the expansion of social protection. Economic development strengthens the need for an extended system of social protection (economic development undermines traditional solidarities in family and social structures) as well as the opportunity to fund it.

On the other hand, economic integration may be harmful to national social security schemes. Internationalization involves higher mobility of production factors. It is often argued that generous social protection translates into higher labour costs, and higher labour costs can damage the competitive position of countries. Consequently, competition leads to lower standards of social policies, the so-called 'race to the bottom' or 'social dumping'. Social protection may then converge to lower levels.

Theory does not clearly tell whether globalisation and economic integration leads to more or less social protection and whether there will be spontaneous convergence of social protection systems.

However, the downward convergence is pointed out by many authors. The mechanism of this downward convergence of welfare state is generally explained as follow: labour-market flexibilization, intensification of tax competition between states, supply-side economic strategies and market-enhancing direction implemented by

national governments can be labelled as 'convergence pressure hypothesis' (Montanari and *al.*, 2007). Then the conventional approach predicts a simple convergence between European social models on the residual welfare state ideal-type. "Globalization exposes all economies to common pressures; common inputs produce common (i.e. convergent) outcomes, establishing the ascendancy of the Anglo-US liberal model" summarizes Hay (2006, p. 6), who calls this statement into question.

### ***Convergence pressures but not similar outcomes***

Many authors outline that similar pressures don't necessary lead to similar outcomes for social protection systems. So the 'retrenchment' is lesser than expected, or even there is no retrenchment at all. According to Hay (2006, p.7), "(...) there is little evidence of convergence amongst European social models and that, although common trajectories can be identified, these have tended to be implemented more or less enthusiastically and at different paces to produce, if anything, divergent outcomes".

Literature explains this result with different conceptions. The '***power resources approach***' focuses on the role of distributive conflicts between major interest groups for welfare state development. The '***strength of institutions***' explain cross-national variations in change. The '***variety of capitalism approach***' outlines that similar pressures are not interpreted similarly by economies.

Korpi and Palme (2003) remark that there are pressures towards retrenchment (role of globalization, post-industrialism, European integration), which lead governments to attempt to cut welfare state programs. But they also notice that to a remarkable extent European welfare states have been resistant to change.

These attempts are resisted by powerful interest groups consisting of welfare state benefit recipients, who are forces resisting to welfare states retrenchment, and therefore retrenchment is limited. The widespread popular support for the welfare state and the path dependency created by welfare states themselves account for this 'resilience'.

Welfare state institutions explain such constitution of powerful interest groups. It contributes to create the formation of the values, attitudes and interest among citizens. The citizens who benefit from insurance are differentiated by cleavages such as occupation, status, income... These cleavages also differentiate citizens in terms of the risk they run during the life course as well as in terms of resources they control for handling these risks.

The welfare state institutions tend to emphasize some of the lines of cleavages while downplaying others. So, the institutional context created by welfare states explains 'coalition formation' among citizens. These coalitions are of relevance to explain the resistance to efforts intended to cut back social rights. Then, not the number of benefit recipients but instead the institutional organization of risk adverse citizens is likely to be of main relevance for the degree of path dependency in welfare states programs.

This analysis is particularly interesting in the case of social insurance-based welfare states, where employment status, professions, corporations create cleavages among workers.

The *strength of institutions* or 'path dependency' explains that some institutional choices generate their own logics in terms of existing alternative changes (Korpi and Palme, 2003). Path dependency has often been used as an explanation for welfare state resilience.

Path dependency can be seen as a way to explain differences in terms of such specific mechanisms that generate more or less resistance to cuts. However, the concept of path dependency is often used to enlighten absence of change rather than to explain resistance to change or why implementation of similar policies can lead to different outcomes due to different institutional contexts.

In the context of Bismarckian welfare states, changes are frequently seen as more difficult. In particular, attempts of retrenchment are likely to meet resistance from corporatist institutions and organization of risk-adverse citizens attempting to safeguard their specific interests.

The *'dual convergence of welfare states hypothesis'*, linked to the variety of capitalism approach, outlines that similar pressures are not interpreted similarly by economies.

In the Variety of Capitalism Approach (VCA) (Hall and Soskice, 2001, p.8), a core distinction is drawn between two types of political economies, Liberal Market Economies (LMEs, the archetype usually taken is USA), and Coordinated Market Economies (CMEs, the archetype is usually Germany).

The VCA emphasizes on the role of institutions, and in particular on the role of institutional complementarities which reinforces the differences between the two types. Institutional complementarities suggest that nations with a particular type of coordination in one sphere of the economy tend to develop complementary policies in other spheres as well.

And, as their institutional framework provides nations competitive advantages and benefits, they have an interest in supporting policies compatible with their institutions. It suggests that economic policies will be effective only if they are complementary with the institutions embedded in the existing political economy.

So, there is a correspondence between types of political economies and types of welfare states. Virtually all liberal market economies are accompanied by liberal welfare states, whose emphasis on means-testing and low levels of benefits reinforce the fluid labour markets that firms use to manage their relation with labour. Social policy regimes in coordinated market economies lend support to corporate strategies.

The variety of capitalism approach may help to explain why EU integration is difficult, and why common international pressures are not leading towards cross-national institutional convergence that some expect from them (Hall and Soskice, 2001, p.53). Instead, an upholding or even a reinforcement of the LMEs or CMEs

characteristics is expected, and in the field of social protection, a dual convergence of welfare states is expected.

According to Hay (2006), these complex or dual convergence can be seen as a variant of the convergence thesis, but in both cases the driving force is globalization.

All the approaches presented above are of interest for explaining BWS dynamics. BWS create powerful groups of interest, BWS are the result of specific institutions rather more difficult to reform than others, and CMEs have, according to VCA, no real interest in changing towards more market-driven regulation, neither interest, as regard institutional complementarities, to introduce market-based reforms in their social protection systems.

So, given institutional contexts, the implementation of common policies can lead to convergence or divergence. Policies based on common reform trajectories are proceeding at different paces in different contexts and lead to divergent rather than convergent outcomes.

With schemes provided by the convergence theory and its variants, recent trends in four social insurance-based welfare states are analysed in the next section.

### **3. RECENT TRENDS IN SOCIAL INSURANCE-BASED WELFARE STATES**

The main changes occurred in four European Bismarckian welfare state, those of France, Austria, Germany, and Belgium are presented in this section. We will first analyse the level of social protection and the weight of social contribution among the total social protection receipts, within the social insurance-based welfare and then, by comparison with other European welfare regimes (3.1). Then, we will analyse two important indicators of change in the social insurance based welfare state, reflecting the degree of change towards a more working women-supporting welfare and towards a less core workers-protected welfare (3.2).

#### **3.1 Social protection level and origin of receipt since the early 1990s**

Dynamics of welfare states in the more recent years are interesting to analyse because this period is generally seen as dramatically impacted by globalization and European integration.

Table 1 indicates the social protection benefits as a percentage of GDP for 14 European Union countries. It shows stability for the social insurance-based welfare states on last years. The standard deviation around the mean (non weighted average) indicates rather a slight convergence of the European countries, as the coefficient of variation does.

**Table 1. Social protection benefits as a percentage of GDP**

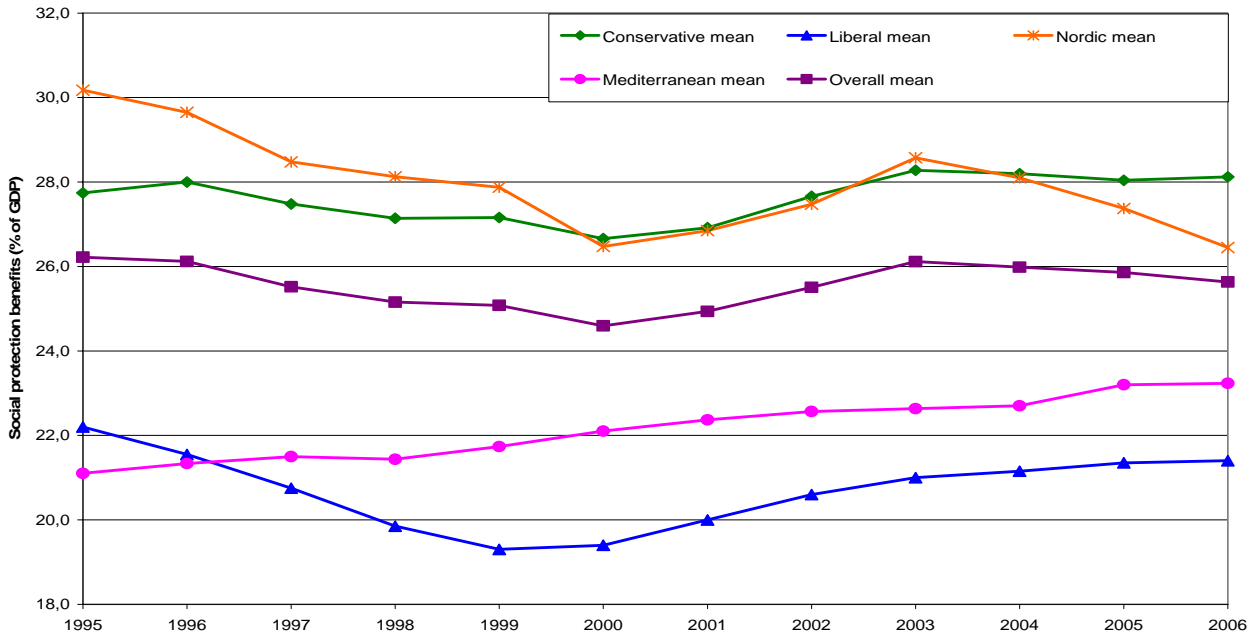
COUNTRY	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>BE</b>	<b>25.9</b>	<b>26.5</b>	<b>25.7</b>	<b>25.6</b>	<b>25.6</b>	<b>25</b>	<b>25.6</b>	<b>26.7</b>	<b>27.8</b>	<b>28</b>	<b>28.3</b>	<b>28.7</b>
<b>FR</b>	<b>28.7</b>	<b>29.1</b>	<b>28.9</b>	<b>28.5</b>	<b>28.4</b>	<b>27.7</b>	<b>27.8</b>	<b>28.5</b>	<b>29</b>	<b>29.4</b>	<b>29.5</b>	<b>29.2</b>
<b>AT</b>	<b>28</b>	<b>28.1</b>	<b>27.9</b>	<b>27.6</b>	<b>28.2</b>	<b>27.6</b>	<b>28</b>	<b>28.3</b>	<b>28.8</b>	<b>28.5</b>	<b>27.9</b>	<b>27.6</b>
<b>DE</b>	<b>27.2</b>	<b>28.3</b>	<b>27.9</b>	<b>27.9</b>	<b>28.2</b>	<b>28.3</b>	<b>28.4</b>	<b>29</b>	<b>29.3</b>	<b>28.7</b>	<b>28.5</b>	<b>27.6</b>
NL	28.9	28	27	26.1	25.4	24.7	24.8	25.8	26.5	26.4	26	27.5
IE	18	16.9	15.7	14.5	13.9	13.3	14.2	16.3	16.7	16.9	16.9	16.9
UK	26.4	26.2	25.8	25.2	24.7	25.5	25.8	24.9	25.3	25.4	25.8	25.9
DK	31	30.4	29.3	29.2	29	28.1	28.4	28.8	30	29.8	29.3	28.3
FI	30.6	30.4	28.3	26.1	25.6	24.3	24.1	24.8	25.7	25.8	25.9	25.4
SE	33.2	32.6	31.8	30.9	30.5	29.6	30	30.8	31.9	31.3	30.9	30
NO	25.9	25.2	24.5	26.3	26.4	23.9	24.9	25.5	26.7	25.5	23.4	22.1
GR	19.2	19.7	20.1	20.9	22	22.7	23.6	23.4	22.9	22.8	23.6	23.6
SP	20.9	20.9	20.3	19.7	19.3	19.8	19.5	19.9	20.1	20.2	20.6	20.4
IT	23.2	23.4	24.1	23.7	23.9	23.8	24	24.4	24.9	25.1	25.4	25.7
<i>SD</i>	<b>4.5</b>	<b>4.5</b>	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.2</b>	<b>4.1</b>	<b>3.8</b>	<b>4.1</b>	<b>3.9</b>	<b>3.8</b>	<b>3.7</b>
<i>mean</i>	<b>26.2</b>	<b>26.1</b>	<b>25.5</b>	<b>25.2</b>	<b>25.1</b>	<b>24.6</b>	<b>24.9</b>	<b>25.5</b>	<b>26.1</b>	<b>26.0</b>	<b>25.9</b>	<b>25.6</b>
<i>Coefficient of variation</i>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>

Source: Eurostat Database, spr-exp-sum.

In figure 1, these 14 EU countries are ranged in four clusters, called for simplify 'conservative', 'liberal', Nordic and 'Mediterranean' in order to compare different welfare regimes. Social protection means of funding is largely based on social contributions in Mediterranean welfare states, so many authors range these countries with the conservative-corporatist ones. But the weight of social protection benefits is lower then those of the Bismarckian welfare states. There is still a great importance of family as a provider of welfare, women rate of employment is then rather low. These differences explain the addition of a fourth cluster to the usual threefold classification (Reimat, 2009). Social insurance-based welfare states, called to simplify 'conservative' in the following graphs, refer to Austria, France, Germany, the Netherlands and Belgium; liberal countries refer to the United-Kingdom and Ireland; Mediterranean countries refer to Spain, Italy, Greece and Nordic countries refer to Denmark, Finland, Sweden, and Norway.

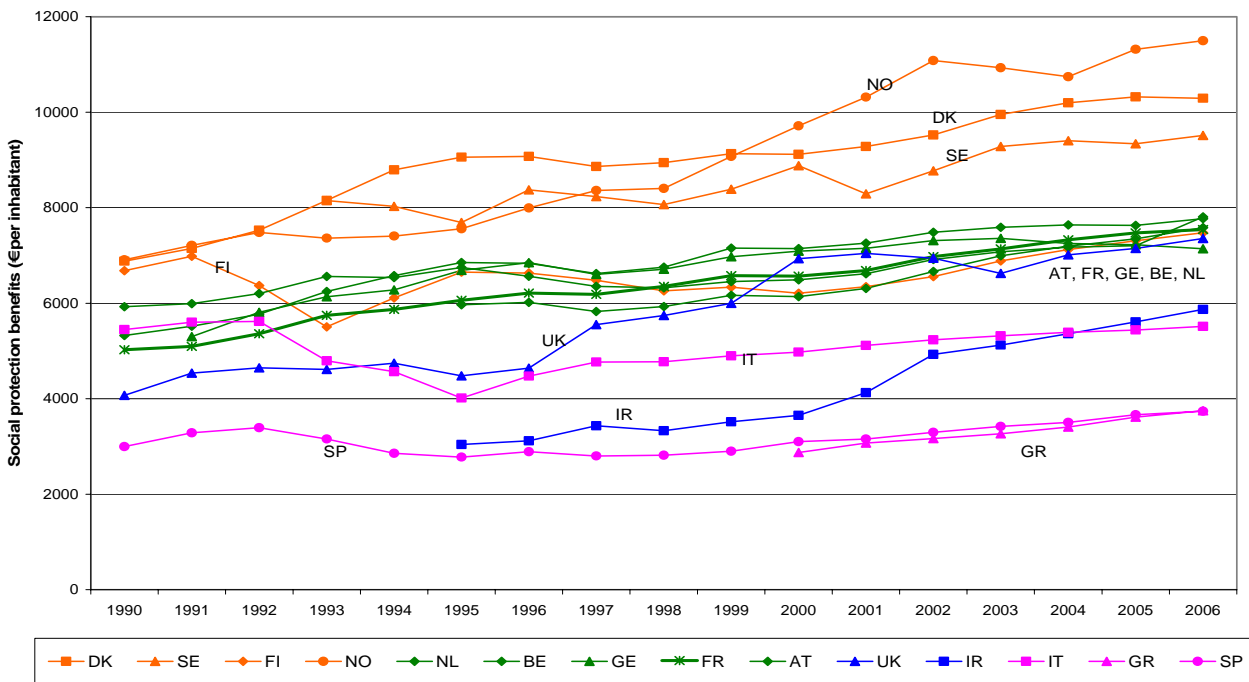
Social protection benefits as a percentage of GDP don't describe any 'race to the bottom' trend (liberal mean is particularly low due to the weakness of the indicator for Ireland). But this indicator can reflect more the variation of GDP growth rate than the social effort of the nation. In other words, if a country shows high growth rates on several years, the indicator is likely to show a decrease, because social benefits generally present more inertia. So other indicators of global welfare must be analysed.

Fig.1 - Social protection benefits as a percentage of GDP



Source: Eurostat Database, spr-exp-sum. (Liberal countries: IE, UK; Nordic countries: SE, FI, NO, DK; Conservative countries: DE, FR, AT, BE, NL; Mediterranean countries: SP, IT, GR).

Fig. 2 - Social protection benefits in euros per inhabitant (at constant 2000 prices)



Source: Eurostat Database, spr\_exp\_sum.

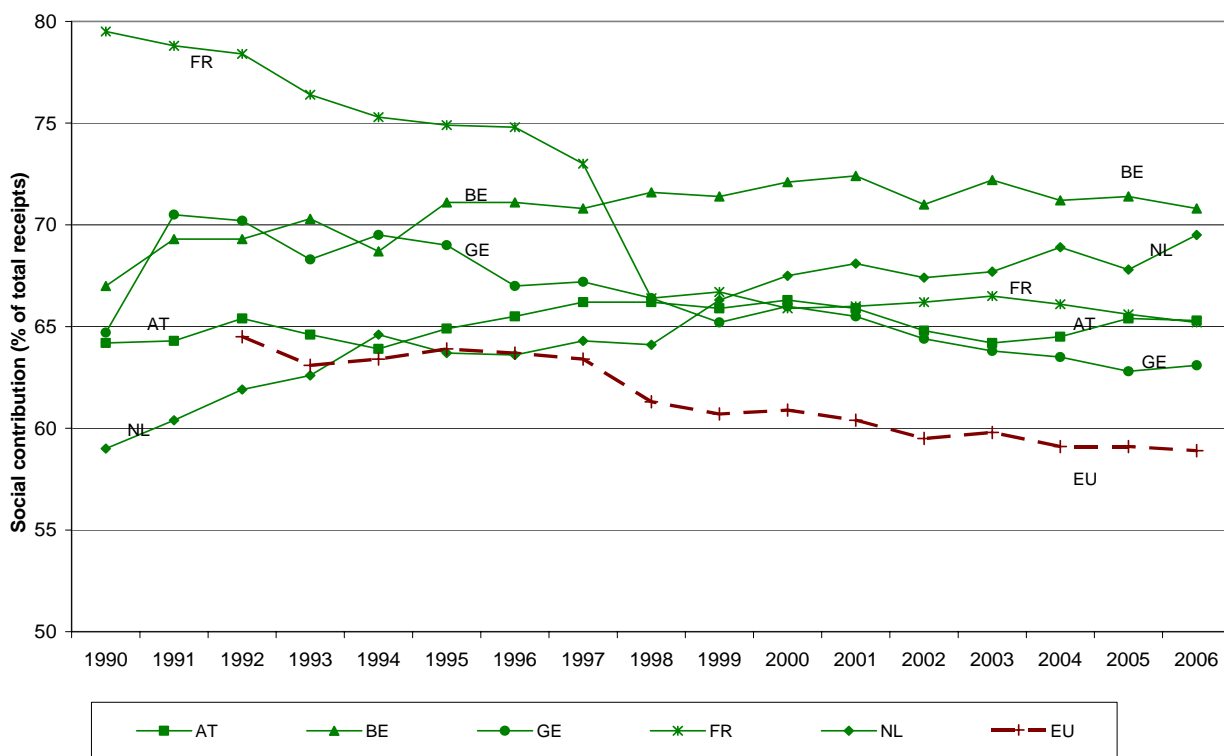
Figure 2 presents the social protection benefits in euros per inhabitant at constant prices. It allows showing a great similarity between the continental European countries: welfare states regimes of Austria, France, Germany, Belgium and the Netherlands nearly provide the same benefits per inhabitant. But there is no indication of convergence with this indicator, rather a divergence; the results are similar if the indicator is

presented in purchase standard power unit. Bouget (2003) also remarks that two similar indicators – share of social expenditure in GDP and per capita social expenditures at constant prices – lead to different conclusions about convergence on the period 1980-1990.

Secondly, the evolution of the weight of social contribution as a percentage of total receipts is important to analyse. Receipts for social protection come from social contribution (from employers and employees), general government contributions, and others receipts.

The weight of social contribution has rather declined in the recent years for the EU average (fig. 3). But, except for France<sup>1</sup>, weight of social contribution is still in 2006 as it was in the early 1990s for the social insurance-based welfare states. For the Netherlands, this means of funding has increased in the total receipts. This indicator shows a convergence between social insurance-based countries, which become more alike in the structure of receipt.

**Fig. 3 – Weight of social contributions (as a percentage of total receipts)**

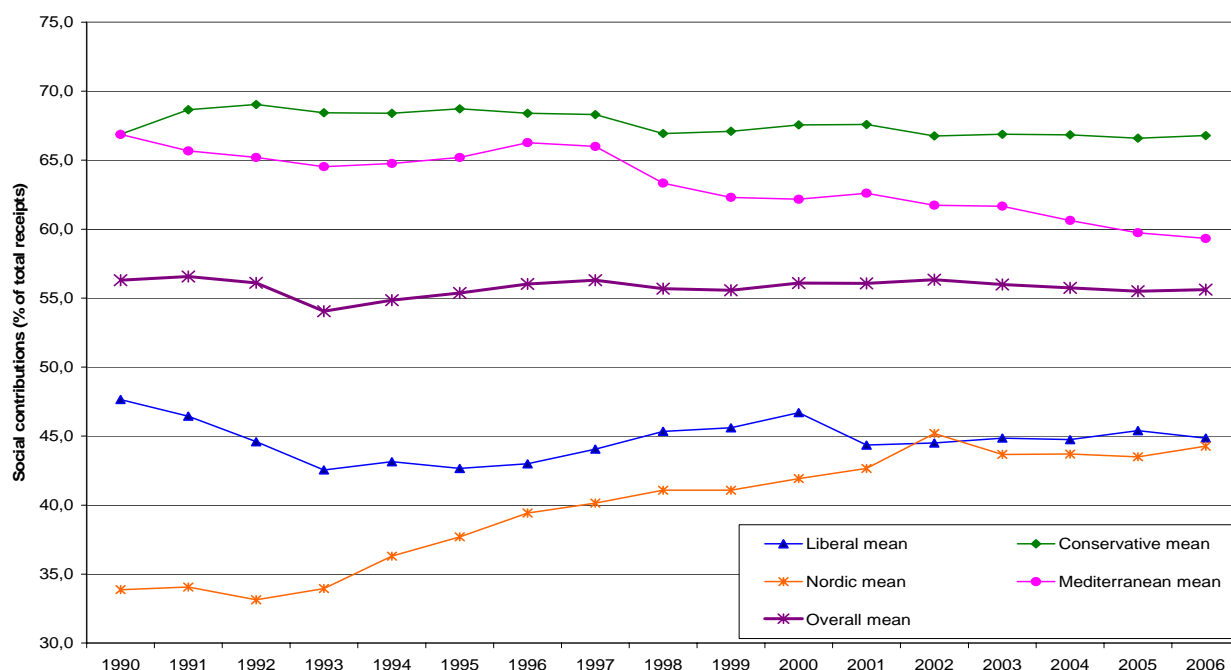


Source: Eurostat Database, spr\_receipts. EU: EU15 from 1990 to 1999, EU25 from 2000 to 2004, EU27 since 2005.

The comparison of the share of social contribution by welfare regime indicates that the major changes are for Nordic countries during the 1990s (fig. 4). On the contrary, liberal and Mediterranean welfare states have increased the weight of government contribution in the total receipts of social protection.

<sup>1</sup> In 1991, a reform has transformed the funding of social protection in France, with the implementation of the 'CSG, Contribution Sociale Généralisée', which is, despite its name, a tax.

Fig. 4 - Weight of social contributions by welfare regime (as a percentage of total receipts)



Source: Eurostat, spr\_receipts.

The means of funding can illustrate the 'dual convergence hypothesis': some welfare regimes become more targeted and financed by general government contributions (like Mediterranean countries), while other welfare regimes remain highly social insurance-based (Bismarckian welfare states) or become more social insurance-based (Nordic countries).

### 3.2 Indicators of changes in social insurance-based welfare

Social insurance-based welfare is often accused to promote the male bread winner type of family and to ensure a high protection for core workers while non standard workers are weakly insured. In the following analyse, two indicators are used to capture the dynamics of Bismarckian welfare states as regards these usual criticisms.

#### 3.2.1 The social insurance-based welfare regime: a little more working women-friendly?

Some of the more recent development of welfare states are focused on policies which directly or indirectly allow women working. It concerns first of all long-term care and children care.

In general, there is a correlation between women's rate of employment and the employment in health and social care sector. Firstly, existence of a high level of services (children care, old people long term care) allows women to work. Secondly, health and social care sector is a great employer of women.

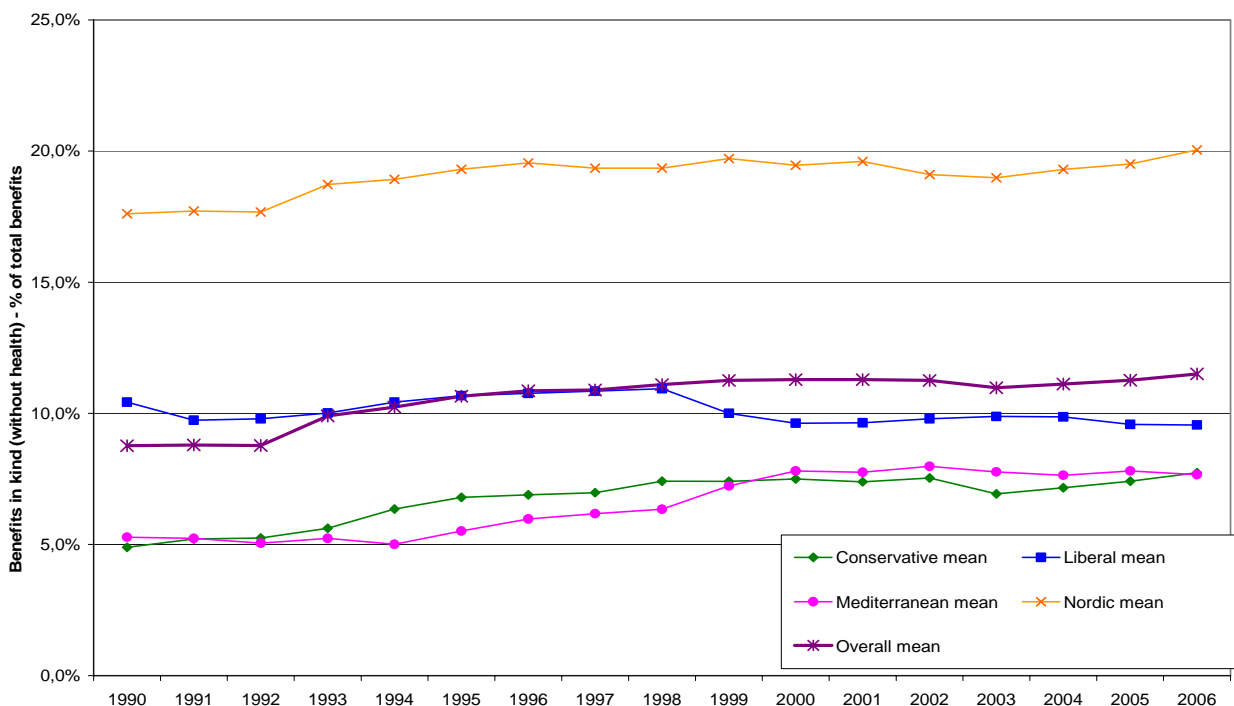
Long-term care and children care benefits can be provided in cash or in kind, or by a combination of the two. When they are provided in cash, they help family to afford services, and services can then be produced by

private for-profit sector or non-profit sector. When they are provided in kind, services are directly produced or managed by the welfare state, more often by local public organizations like in the Nordic countries.

But it seems that a link exists between the weight of social care public services and women's employment. It can be assumed that services for social care are more developed when they are directly provided by the Welfare state, as this statement can be supported by the share of workers employed in health and social services (fig. 7).

The social protection delivered in kind – without health benefits principally provided in services, so the remaining benefits in kind are social services directly offered by the social protection system – is then a relevant indicator for a working women-supporter social protection.

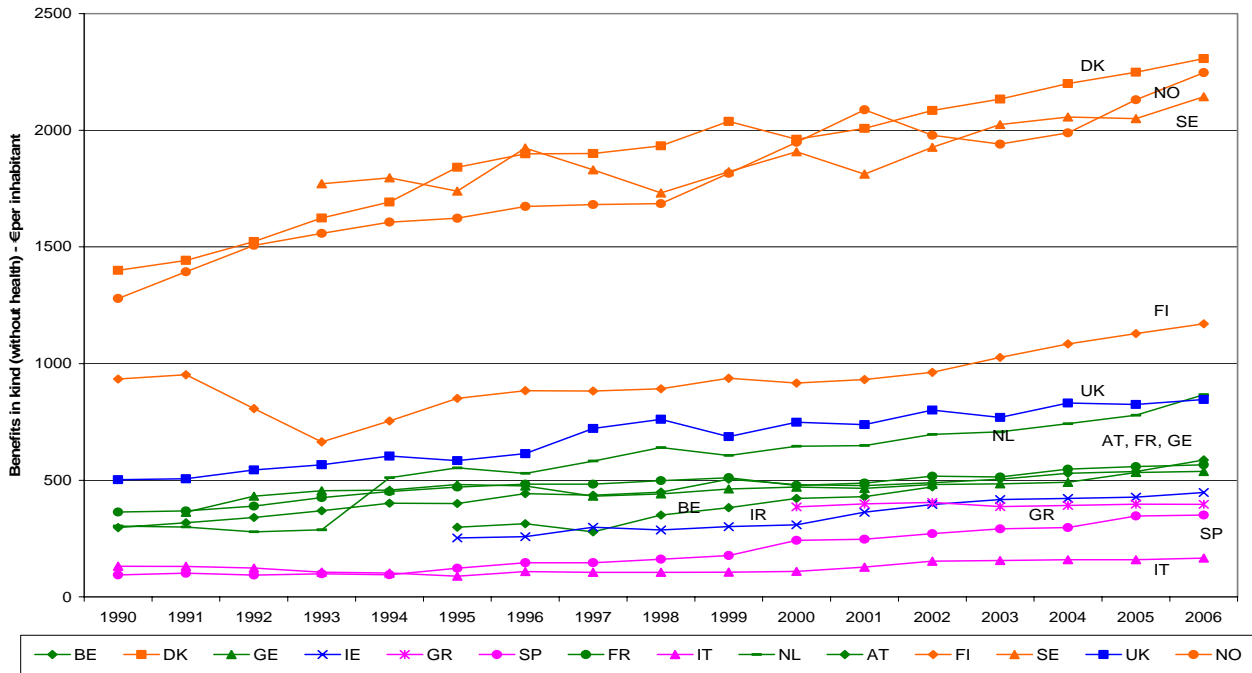
**Fig. 5 - Social benefits in kind (without health) as a percentage of total social benefits**



Source : Eurostat Database, spr\_exp\_fsi, spr\_exp\_fto.

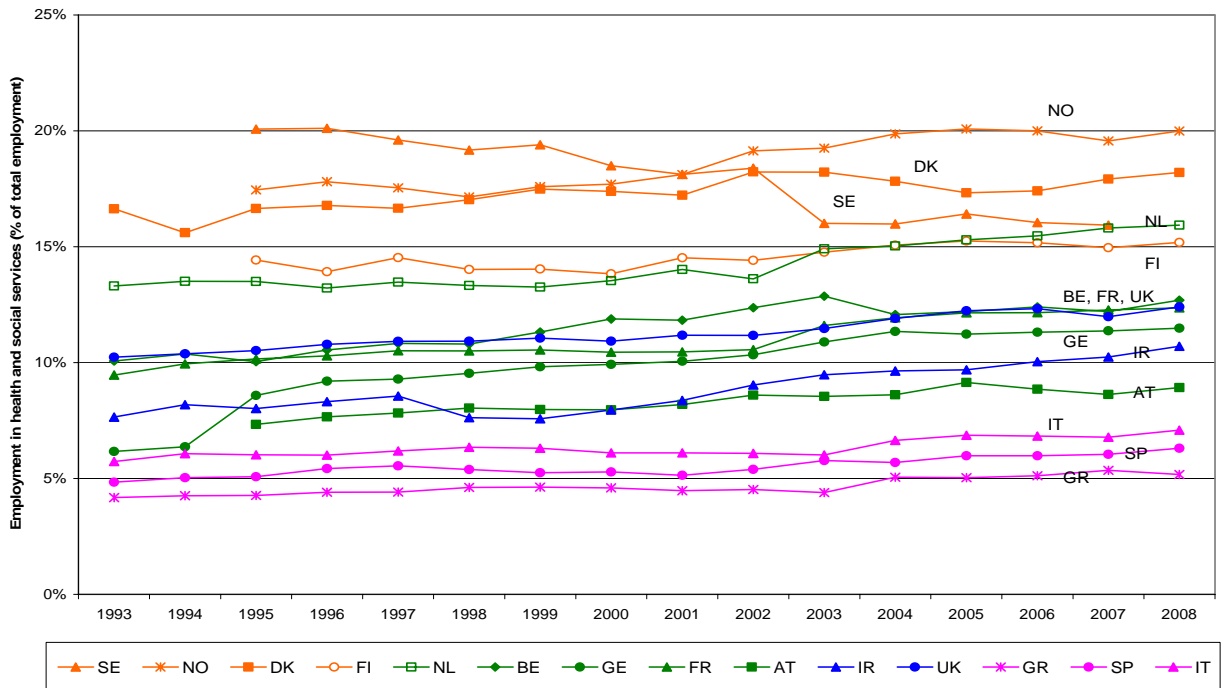
The level of such services is particularly high in Nordic countries (figures 5, 6 and 7). It is low for both Mediterranean and conservative countries, even if there is a trend toward more social benefits in kind. Social protection provided in kind or directly in services, which allow women to participate to the labour force remains weaker in Mediterranean countries, and social care services are still mainly provided by free care work ensured by women.

Fig. 6 – Social benefits in kind (without health) – in € per inhabitant (at current 2000 prices)



Source : Eurostat Database, spr\_exp\_fsi, spr\_exp\_fto.

Fig. 7 - Employment in health and social services (% of total employment)



Source: Eurostat database, lfisi\_egana.

Some social insurance-based countries have chosen to deliver cash benefits for social care (Reimat, 2009). But even if social benefits in cash for dependant elderly people and families with young children can also

contribute to the development of care services, generally provided by non profit-organizations<sup>2</sup>, the development of social services seems more important when public services are providers.

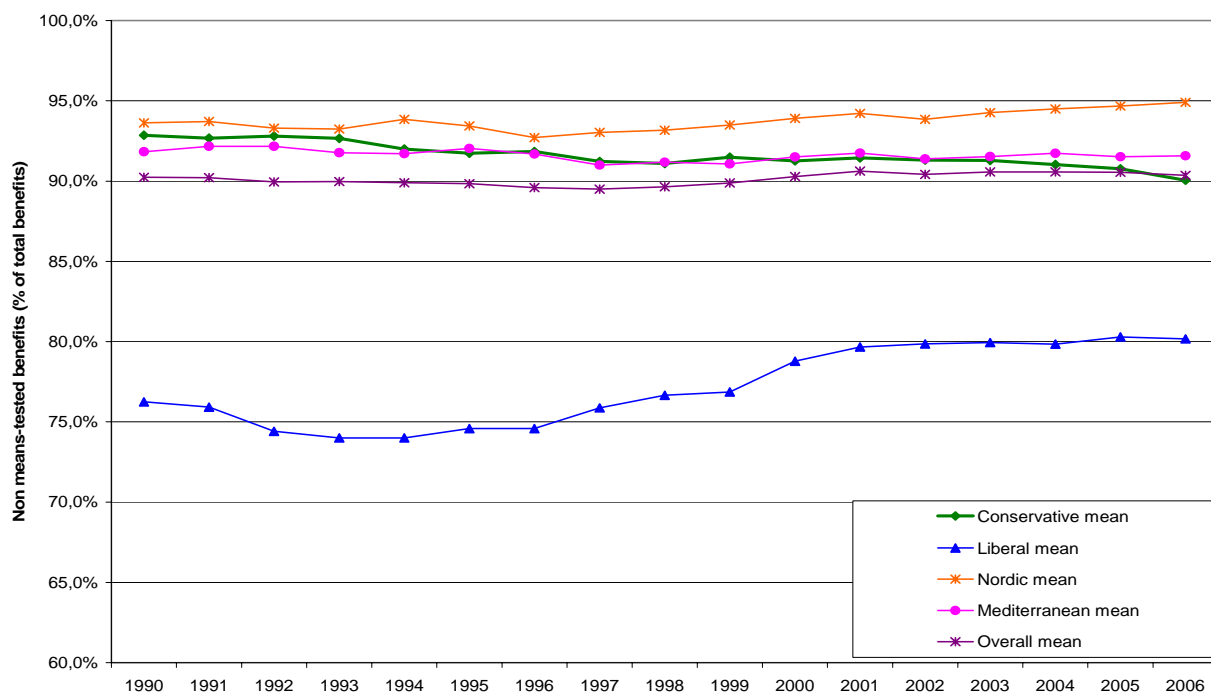
The in kind-benefits indicator shows a slight upward trend for Bismarckian welfare states; as those social services allow women working, social insurance-based welfare can be considered more adapted to this objective, but the change is still weak. The social insurance based welfare states are just a little more 'working-women friendly'.

### 3.2.2 A social insurance-based welfare still turned towards insiders

Social insurance-based welfare states are opposed to residual or targeted welfare states. In the first, social protection benefits are function of the insurance level and are provided without regards to the revenue; in the second, benefits are targeted and provided only for people who have lower revenue. The first system is accused to reproduce the inequalities observed on labour market, and to offer a protection linked to status and wages, rather favourable to insiders or 'core workers'.

Non means-tested benefits are used as an indicator for assess the 'insurance degree' of social protection.

Fig. 8 - Non means-tested benefits (as a percentage of total social benefits)



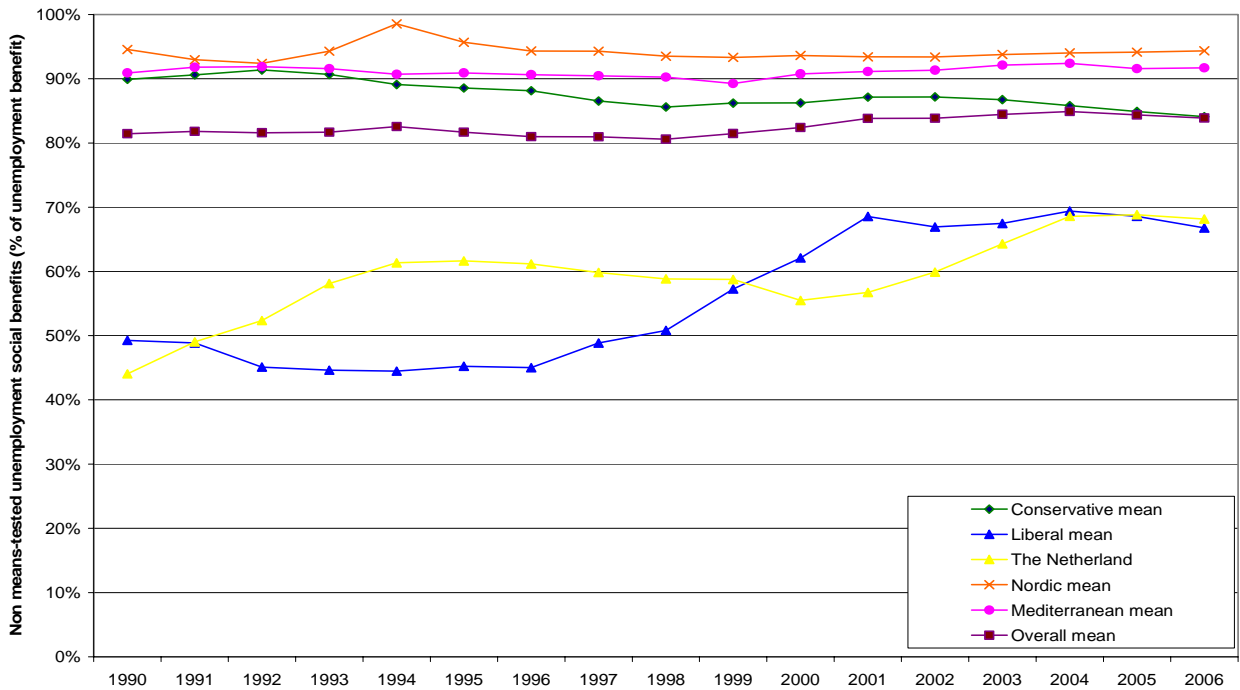
Source: Eurostat database, spr-exp-fto.

Figure 8 presents the percentage of non means-tested benefits in total social benefits. All welfare regimes present a high level of non means-tested benefits, except liberal ones (Ireland and United-Kingdom).

<sup>2</sup> In France for instance, non-profit sector is the main provider of social care services, but the funding is indirectly ensured by social protection systems via cash benefits (like with the 'APA, allocation personnalisée d'autonomie' for dependent old people, or the 'PAJE, prestation d'accueil du jeune enfant' for children care).

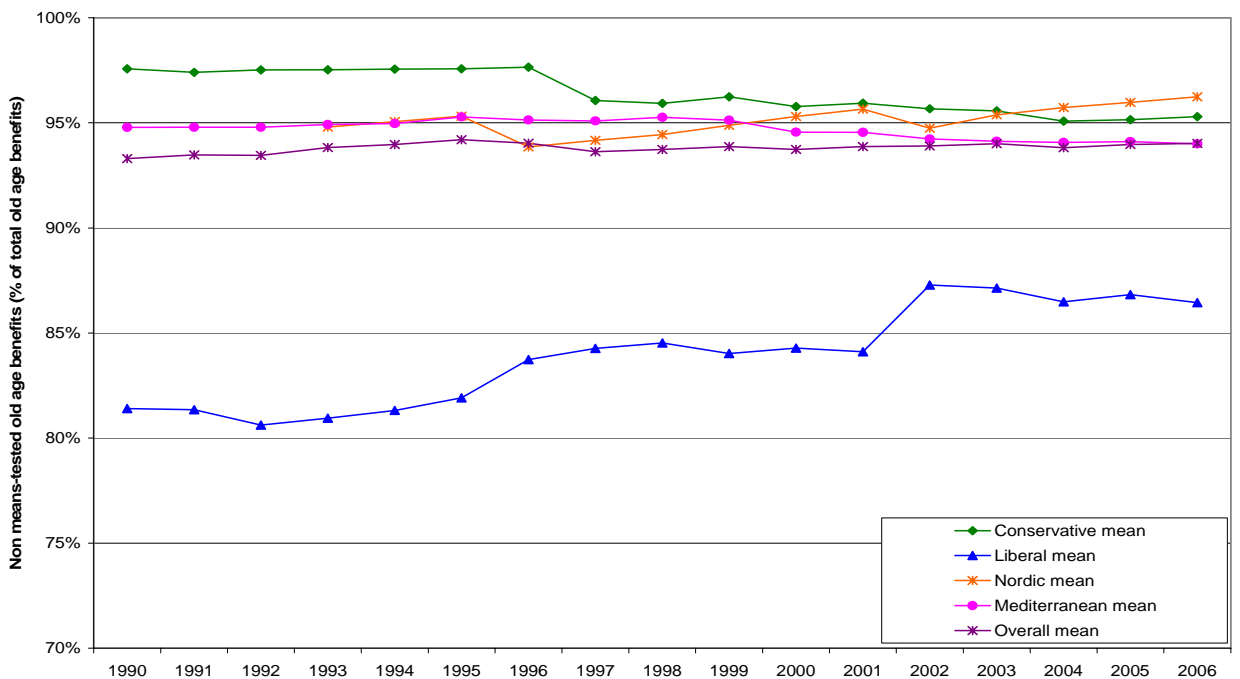
Percentage of non means-tested benefits has become slightly higher for Nordic regime. For liberal regime, non means-tested benefits tend to be a greater part of social protection benefits since the middle 1990s, so it can indicate a decrease of the residual feature of welfare. For conservative regime, benefits are a little less insurance-based.

Fig. 9 – Non means-tested unemployment benefits (as a % of unemployment benefits)



Source: Eurostat database, spr\_exp\_fun.

Fig. 10 - Non means-tested old age benefits (as a % of total old age benefits)



Source: Eurostat database, spr\_exp\_fol.

All in all, we can say that there is a slight convergence for the share of non means-tested benefits, but not really in the sense of a more residual welfare. This is confirmed by figures 9 and 10, which show the share of non means-tested benefits for two social risks generally based on insurance, unemployment benefits and old age benefits.

Unemployment benefits remain largely income-related and non means-tested in social insurance-based welfare states. This is also the case for both Mediterranean and Nordic regimes. Liberal regime seems to become more insurance-based (the Netherlands present a pattern different both from conservative and Nordic countries for unemployment benefits, and more closed to liberal regime).

Non means-tested old age benefits present a similar behaviour. Conservative regime seems driven towards lower non means-tested benefits, while liberal regime reaches a higher level of non means-tested benefits.

#### **4. DISCUSSION: THE FUTURE OF THE SOCIAL INSURANCE-BASED WELFARE**

##### *Main trends for social insurance based countries since the early 1990s*

Social protection benefits as a percentage of GDP don't allow showing any 'race to the bottom' trend, rather a stability for bismarckian welfare states.. There is a slight convergence for this variable between the different regime types.

Social protection benefits in euros per inhabitant are higher in Nordic countries, weaker in liberal and Mediterranean countries. But social protection benefits per inhabitant in United-Kingdom, weak in the early 1990s, have reached the level of those of conservative countries since the end of the 1990s. There is an upwards trend for this indicator, but not really convergence. The countries showing lesser social protection benefits per inhabitant tend to increase their effort.

Very close patterns characterize the social insurance-based welfare states according to these social protection benefits indicators, which are nearly the same for all the social insurance-based welfare states studied. There is no indication of retrenchment as regarding social protection benefits, both in terms of share of GDP or in benefits per inhabitant.

The weight of social contributions (as a percentage of total receipt) also points out the similarities among social insurance-based welfare states. France, which has the higher percentage in the early 1990s, is now placed in the middle of the social insurance-based welfare states cluster. Germany, at a lesser degree, also shows a decrease in weight of social contributions as receipt. But the Netherlands, which presented the fewer rate in the early 1990s, have now increased this means of funding, like all the Nordic countries have done.

The weight of social contribution among total receipts can be an illustration of the 'dual convergence hypothesis', between liberal welfare states and social insurance welfare states.

The indicator used to measure the degree of 'working women-friendly welfare' reveals that social insurance-based welfare states are always reticent to settle up services allowing to conciliate work and family life.

The indicator used to assess tendency of social insurance-based regime to support firstly core workers shows that the benefits are always strongly income-related, as expected in social insurance-based welfare states. On the contrary, liberal welfare states seem to present benefits provided with less means-tested conditions.

But these indicators just allow to illustrate a part of behaviour of the social insurance-based welfare state and so must be interpreted with caution and completed by other indicators. They are founded on statistics which have not been elaborated for showing precisely these features.

### ***A future for social insurance-based welfare?***

The future of the social insurance-based welfare will remain strongly linked to its institutional structures. The common pressures and the common objectives faced up by social insurance-based welfare states don't have lead towards another regime type. There are changes, but they are inscribed within the institutional context of social insurance welfare. Institutions change but at a slight pace. In particular, retrenchment policies have difficulties to embed in a regime previously characterized by social democratic institutions or corporatist institutions.

Social insurance-based welfare regime has become a little more working women-friendly; it remains adverse to directly provide services for social care; the development of such services in this regime occurs on the shape of cash benefits which allow families to afford services. But it seems that the development of care services is higher when the welfare state is directly the provider of services.

Social insurance-based welfare regime is still turned towards core workers, even though there is slightest change. So it continues to reinforce inequalities observed on labour market, and it delivers a weaker social protection for young unemployed and non standard workers.

It seems that changes occurred within the last decade have not diminishing existing diversity in welfare regimes. This strengthens the variety of capitalism approach, which argue that nation don't have interest in adopting policies not fitted with its institutional context, because the institutional context precisely provides advantages and benefits to the nation.

## References

- ARTS W., GELISSEN J. (2002), Three Worlds of Welfare Capitalism or more? A State-of-the-art Report, *Journal of European Social Policy*, vol. 12 (2): 137-158.
- BOUGET D. (2003), Convergence in the Social Welfare Systems in Europe: From Goal to Reality, *Social Policy and Administration*, vol. 37, N°6, December, pp. 674-693.
- CAMINADA K., GOUDSWAARD K., VAN VLIET O. (2008), Patterns of welfare states indicators in the EU: Is there convergence?, Department of Economics Research, Memorandum 2008.05, Leiden University (to be published in *Journal of Common Market Studies*).
- COMMISSION OF THE EUROPEAN COMMUNITIES (2005), Working together, working better: A new framework for the open coordination protection and inclusion policies in the European Union, *Communication from the Commission to the European parliament, the Council, the European Economic and Social Committee and the Committee of the Regions*, Brussels, 22.12.2005.
- CORNELISSE P. A., GOUDSWAARD K.P. (2002), On the Convergence of Social Protection Systems in the European Union, *International Social Security Review*, 55(3), pp. 3-17.
- ESPING-ANDERSEN G. (1990), *The three worlds of welfare capitalism*, Cambridge, Polity Press.
- HALL P.A., SOSKICE D. (2001), An Introduction to Varieties of Capitalism, in Hall P.A., Soskice D., *Varieties of Capitalism. The Institutional Foundations of Comparative Advantages*, Oxford University Press, pp. 1- 68.
- HAY C. (2004), Common Trajectories, Variable Paces, Divergent Outcomes? Models of European capitalism under conditions of complex economic interdependence, *Review of International Political Economy*, 11(2), pp. 231-262.
- HAY C. (2006), What's Globalization Got to Do with It? Economic Interdependence and the Future of European Welfare States, *Government and Opposition*, vol. 41, Issue 1, pp. 1-22.
- KORPI W., PALME J. (2003), New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries 1975-1995, *American Political Science Review*, 97(3): 425-446.
- MONTANARI I., NELSON K., PALME J. (2007), Convergence pressures and responses : Recent social insurance development in modern welfare states, *Comparative Sociology*, vol. 6, n°3, pp. 295-323.
- PALIER B., MARTIN C. (2007), Editorial Introduction. From 'a Frozen Landscape' to Structural Reforms: The Sequential Transformation of Bismarckian Welfare Systems, *Social Policy and Administration*, Vol. 41, No.6, December 2007, pp. 535-554.
- REIMAT A. (2009), Welfare Regimes and Long-term Care for Elderly People in Europe, in "The European Social Model in a Global Perspective", *IMPALLA-ESPAnet Joint Conference*, Luxembourg, 7-8 march. <http://soc.kuleuven.be/ceso/impalla/ESPANET/programme/outline.html>

SALA-I-MARTIN X. (1996), A Classical Approach to Convergence Analysis, *The Economic Journal*, Vol. 106, N°437, pp. 1019-1036.

VAN GERVEN M. (2008), Converging Trends of Social Policy in Europe: Social security Benefit reform in the UK, the Netherlands and Finland, *European Journal of Social Security*, vol. 10, N°3, September, pp. 207-226.

WILLIAMSON J. B., FLEMING J.J. (1977), Convergence Theory and the Social Welfare Sector. A Cross-National Analysis, *International Journal of Comparative Sociology*, 18, pp. 242-253.