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Demands for Redistributive Policies in an Era of Demographic Aging

The Rival Pressures from Age and Class in 15 OECD Countries

Marius R. Busemeyer, Achim Goerres and Simon Weschle

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Abstract

This paper is about the relative impact of retirement and social class on individual attitudes towards welfare state policies in advanced industrial democracies. Which factor is more important in explaining individuals' social policy preferences: socio-economic background or retirement? How can differences in patterns between countries be explained? These questions are explored using ordered logistic regression models on the 1996 ISSP Role of Government data set for fifteen countries. First, it is shown that retirement matters; there are consistent differences between policy areas that can be explained by life-cycle salience. Particularly in the case of preferences regarding education spending, being retired matters more than the socio-economic background. Second, some countries, such as the United States, show a higher salience of the age/retirement cleavage across all policy fields; age/retirement is a more important line of political conflict in these countries than in others. Third, country characteristics matter. Although the relative salience of retirement varies across policy areas, a large variance within each of the policy areas across countries is evident. Most interestingly, the more generous the state provisions are in a given policy area, the stronger the age/retirement cleavage is (with the exception of pension policies). Overall, the findings of this study are not in line with simple rational choice models. Instead, the explorative results call for more complex theoretical models, including institutional structures, in order to gain a better understanding of individuals' attitudes towards the welfare state in aging societies.

Zusammenfassung

Dieses Discussion Paper untersucht den relativen Einfluss von Alter und Klassenposition auf die individuellen Einstellungen zu wohlfahrtsstaatlichen Politiken in entwickelten Industrienationen. Welcher Faktor trägt mehr zur Erklärung von sozialpolitischen Präferenzen bei: die sozioökonomische Klassenposition oder der Eintritt ins Rentenalter? Welche Faktoren erklären unterschiedliche Muster in einzelnen Ländern? Diese Fragen werden unter Verwendung des ISSP-Datensatzes „Role of Government" beantwortet, der Daten zu fünfzehn Ländern enthält. Hieraus ergibt sich erstens, dass der Übertritt ins Rentenalter einen Erklärungsbeitrag leisten kann, besonders, wenn man unterschiedliche Dynamiken in einzelnen Politikfeldern miteinander vergleicht. Im Fall Bildung zeigt sich, dass der Alterseffekt einen größeren Erklärungsbeitrag leistet als die sozioökonomische Klassenposition. Darüber hinaus weisen einige Länder, wie zum Beispiel die USA, in der Altersdimension ein insgesamt höheres Konfliktpotenzial auf als andere. Daraus folgt, dass selbst in einem gemeinsamen Politikfeld Länderunterschiede wichtig bleiben, denn es zeigt sich ein hoher Grad an Variation der relativen Erklärungskraft der Altersvariablen zwischen Ländern. Dabei zeigt sich, dass ein einfaches „Rational-Choice"-Modell die Ausprägung der Alterskonfliktlinie nicht ausreichend erklären kann. Die Autoren schlagen vor, stattdessen ein komplexeres Erklärungsmodell zu entwickeln, das den Einfluss der institutionellen Struktur von alternden Wohlfahrtsstaaten berücksichtigt.

Contents

This article deals with the determinants of individual attitudes toward the welfare state. More specifically, it tests the relative importance of retirement in shaping these attitudes, compared to the socio-economic background (class) of the individual, the latter being a factor commonly believed largely to determine social policy preferences. The size and direction of the impact of retirement is hugely important for two reasons. First, we are currently witnessing an era of massive population aging in advanced democratic welfare states. There are more and more retirees relative to the working population. If retirement has an important effect on attitudes, a growing number of individuals are subject to that impact. The aging process also leads to restructuring reforms of the welfare state in order to cope with the changing social make-up. In a democratic process, the reforms need to be justified against electoral majorities. Since retirees make up a growing proportion of the electorate, retirees' expectations matter for politicians who want to win elections.

Second, the literature on attitudes toward the welfare state is not very clear about the importance of retirement or age. Often, analyses are restricted to the working age population, or age/retirement are included only as control variables that are explained in an ad hoc manner. We ground our empirical analyses in an explorative theoretical framework and argue that the importance of the age/retirement cleavage is systematically linked to the age-relatedness of redistributive policies. Throughout the article, we use the terminology of cleavage in a weak sense. A full-blown political cleavage is a societal line of conflict along which voters consciously align themselves and political actors mobilize their constituencies. Therefore, social class is such a political cleavage. Age is not (yet) such a cleavage, but if we find a high degree of preference stratification by age this could be interpreted as a necessary condition for the formation of a full-blown cleavage.

In this article, we apply regression techniques to cross-sectional survey data for 15 OECD countries from 1996 (ISSP Role of Government III) and concentrate on spending attitudes in the areas of education, pensions, health care, and unemployment. Thereby, we answer the following questions: Which factor is more important in explaining welfare state attitudes in a given social policy area, socio-economic background or retirement? What can explain differences in explanatory patterns between countries?

First, we find that retirement matters – there are consistent differences between attitudes toward policy areas that can be explained by life-cycle salience. Particularly in the case of preferences for education spending, we see a clear predominance of age/retirement over income. Second, some countries, such as the United States, show a higher salience of the age/retirement cleavage across all policy fields, that is, age/retirement is a more important line of political conflict in these countries than in others. Third, country

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characteristics matter. Although the relative salience of the age/ retirement cleavage varies across policy areas, we see – within one policy area – large variance of that cleavage. Most interestingly, the more generous the state provisions are in a given policy area, the stronger is the age/retirement cleavage (with the exception of pension policies). Overall, the results of this article call for a much more balanced view on the topic of age conflict in aging welfare states. In certain policy areas, differences in individual spending preferences can be better explained by taking age/retirement into account. However, these effects vary between countries due to economic and institutional factors. Overall, our findings are not in line with simple rational choice models. Instead, the explorative results call for more complex theoretical models, including institutional structures, in order to understand an individual's attitudes toward the welfare state in ageing societies.

Section 1 gives an overview of the literature and puts forward the theoretical model that we test. Section 2 presents the methods and data. Section 3 shows the empirical results, starting from simple bivariate findings. Section 4 discusses the empirical results and concludes the article.

1 Literature review and theoretical framework

Literature review

This analysis is inspired by debates in the popular and scholarly literature on the coming conflict between generations. Population aging is a powerful force shaping the politics of welfare states in industrial nations. The intuition is that as the population share of older people increases, so will their political power. The decisive question is whether this will result in a "graying welfare state," catering disproportionately to the needs of older people (for example, pensions, health care) and neglecting necessary investment in younger generations (that is, in education; Streeck 2007), or whether "politics as usual" will prevail. While it is hard to imagine an overt war of the generations, in which younger people and older people consciously take away public resources from each other, a situation might arise in which politicians cater to the needs of the largest voting group – retirees – by shifting resources incrementally from the young to the old (Kotlikoff/Leibfritz 1999). Demographic aging does not take place in isolation. Instead, welfare state reforms are becoming necessary to deal with the growing number of older citizens. If older voters want something different from the welfare state than younger people, these reforms are difficult to follow through in the face of an aging electorate (Goerres, forthcoming 2008).

This article relies on three distinct strands of the empirical literature: (1) studies on the role of age in public opinion on the welfare state; (2) the emerging literature on the impact of social risks on policy preferences; and (3) analyses focusing on the consequences

of a larger share of older people on expenditures for the younger generation. Each of these research areas adds some insight into our problem, but each also lacks important aspects.

First, there is a variety of cross-national empirical studies on public opinion and the welfare state. This literature mushroomed after the publication of Esping-Andersen's (1990) seminal work and focuses mostly on finding attitude differences between the "three worlds of welfare capitalism." Usually this is done by constructing summary measures that aggregate attitudes toward various policies into comprehensive indices – a problematic approach as we will see as differences between social policy fields are crucial. The indices are regressed onto a range of predictors and compared across states. Either age or a retirement dummy or both are routinely included as control variables. Despite the use of advanced statistical methods and numerous databases, this literature has not produced clear-cut results on the impact of age or retirement on social policy preferences. Some studies (Svallfors 2003, 2004; Linos/West 2003; Matheson/Wearing 1999; Gelissen 2000; Blekesaune/Quadagno 2003) find that age is a significant determinant of social policy preferences and that older people mostly have a higher inclination to support welfare state policies. Others (Papadakis/Bean 1993; Bean/Papadakis 1998; Andreß/Heien 2001; Jaeger 2006; Arts/Gelissen 2001) have questioned these findings from a methodological and substantive perspective and find no consistent impact of age on preferences. In our view, one major reason for the inconclusiveness of findings is the fact that all of these studies use indices aggregating attitudes toward a variety of different welfare programs, although the "'[t]he Welfare State' is an umbrella term covering a range of governmental activities that have distinct characteristics" (Pierson 2001a: 11).

A second strand of the literature looks at the association between social risks and policy preferences and does a better job of differentiating between levels of support for different social policies. Building on Iversen and Soskice (2001), Kitschelt and Rehm (2006) state that individual preferences for market-correcting social policies depend on how people expect their income stream to flow in a pure market system: the lower and/or more uncertain they anticipate it to be, the more supportive of redistributive policies they are. They find that

> in the determination of political preferences over social policies, class notions in the sense of property, market and organizational experience do matter, even though often only marginally. In each instance, however, the single greatest effect is exercised by the socio-demographic variables (gender or age), followed by education. (Kitschelt/Rehm 2006: 74)

Older people are neither more nor less sympathetic to health care spending, but more likely to support unemployment benefits and less willing to spend tax money on education. However, using a similar study design, Armingeon (2006) finds that subjective class remains the most important variable for attitudes toward what he terms the "traditional welfare state."

A third part of the relevant literature focuses on the consequences of a larger share of older people on expenditures for the younger generation. Studies of this kind capture the impact of old age on welfare state preferences indirectly via outcomes: if an increase in the population share of older people in a given country/community has consequences with regard to social policies or public spending, it is surmised that older people have distinct policy preferences that are followed through by political actors.

As the American school system is organized on a local level (public schools are usually jointly financed by the school district and the state), research has been most fruitful there. A number of studies (Brunner/Balsdon 2004; Busemeyer 2006; Button 1992; Harris et al. 2001; Ladd/Murray 2001; Miller 1996; Poterba 1997) have looked at the consequences of an increasing share of older people on education spending at the state and local levels, and most find evidence of a negative association between the two.[1]

Pampel (1994) compares how the population share of the elderly influenced spending on family allowances, as well as on pensions in 18 countries between 1959 and 1986. He finds no evidence that having more older voters reduces family allowances, but instead that spending for both policies tends to go hand in hand because of spillover effects (see also Pampel/Williamson 1988). In contrast, comparative studies on the determinants of education spending (Busemeyer 2006, 2007; Iversen/Stephens 2007) find a negative impact of population aging on changes in spending.

Despite some deviant results, this part of the literature gives the most unambiguous results, and clearly speaks in favor of a generational conflict over social policy resources. But the studies look only at monetary outcomes and not at what we are interested in, namely preferences of individuals.

We have seen that each of the three parts of the scholarly literature discussed so far contributes important insights to our problem. But each also has its flaws. The literature on public opinion and the welfare state does not take into consideration the fact that support is not uniform across different policy areas. Kitschelt and Rehm (2006) and related studies are keen to underscore exactly this, but their focus is mainly on the active labor force. Finally, the literature focusing on the possibility of a generational conflict as a consequence of demographic aging does not look at people's attitudes. In our article, we attempt to address these missing parts and try to unify the three approaches in the literature just discussed: How does retirement impact on preferences for redistributive policies? How does this impact relate to that of the social class position of an individual, which is the most important predictor of welfare state attitudes?

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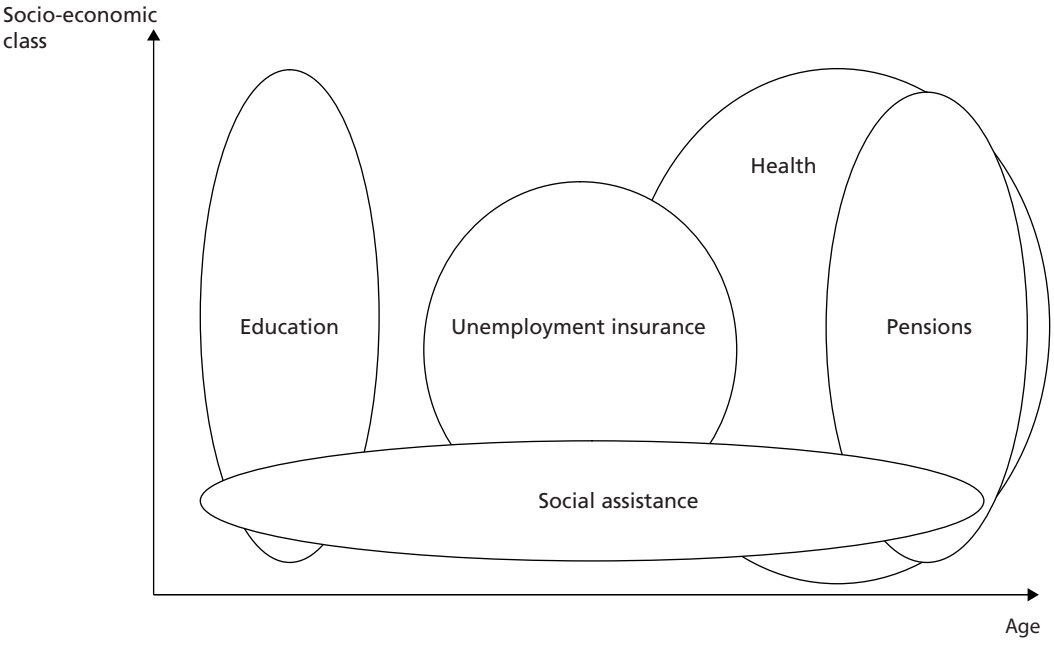
1 Recently, this kind of exercise has been undertaken for some European countries as well. Borge and Rattso (2007) for Denmark, and Grob and Wolter (2005) for Switzerland, find relatively unequivocal evidence that the share of older people has a negative impact on education spending. For Germany, various studies can detect only weak signs of a generational conflict (Baum/Seitz 2003; Kempkes/Seitz 2006; Oberndorfer/Steiner 2006).

Theoretical framework

This paper takes an explorative approach to the study of the impact of age/retirement on social policy preferences. Consequently, what we propose is not a fully fledged theoretical model, but a set of plausible hypotheses to guide empirical analysis.

The conventional political economy approach to the study of welfare state politics is to deduce individuals' welfare state preferences from their socio-economic class position, that is, their position in the distribution of incomes/skills (Meltzer/Richard 1981; Iversen/Soskice 2001; Cusack/Iversen/Rehm 2006). But while the socio-economic class cleavage remains important to the formation of redistributive preferences, the debate on the "coming war between generations" should inspire us to think more about the potential importance of the age/retirement cleavage. Figure 1 illustrates how the dimensions of class and age/retirement intersect for different types of social policies. It is important to emphasize that this illustration does not depict the actual distribution of spending or redistribution. Instead, it is a heuristic tool to structure plausible conceptions of the expected benefits to be gained from various types of social policies in relation to the individuals' position on the class and age dimensions.

Figure 1 Individual interest in redistributive policies along two dimensions



The structuring of redistributive policies

Redistributive policies shift resources from one group to another. The trigger for the redistribution of resources is some notion of social need. Empirically, social need clusters around two dimensions: socio-economic class (income/education) and age.

For instance, people receive social assistance (which we will not analyze empirically) because they are poor, regardless of their age. Their state of poverty constitutes the social need that redistributive policies address. Education, on the other hand, is concentrated mainly on the young. In addition, class position is less important than in the case of social assistance. Children of rich and poor parents attend public schools, but usually not the old. The opposite case is, of course, pensions. Here age clearly matters. It is well known that national pension systems differ widely with regard to the degree of redistribution – with conservative welfare states being the least and Beveridge-type pension systems the most redistributive. The crucial point here, however, is that *only* old people receive pensions and in most OECD countries *most* older people receive public pension benefits, regardless of their class position.

The trigger for unemployment insurance is the social need for compensation for income loss during times of unemployment, not age per se. Empirically, the risk of unemployment is, of course, concentrated in certain age-groups (the young and the old). But unemployment insurance covers only the working-age population, not retired people. In addition, the individual's position in terms of income/education clearly matters. The low-skilled generally face a higher risk of unemployment than the well-qualified.

Health insurance is a special case. On the one hand, the risk of illness strongly increases with age, and the bulk of health expenditure is concentrated on the elderly. On the other hand – and in contrast to pension policies – working-age individuals, too, enjoy concrete benefits from health insurance. In comparison with other types of social policies, public health insurance comes closest to a universal insurance model. Most people have an interest in insuring themselves against serious illnesses, although upper income classes might prefer to opt for private alternatives instead of public schemes.

Summing up, various types of redistributive social policies differ greatly with respect to whether they are triggered mainly by age (education, pensions, health) or an individual's state of economic need (social assistance, unemployment insurance). Of course, there are large differences between countries with respect to the specific structuring of social policies (for example, entitlement criteria, benefit generosity). But the crucial point for the present analysis is that there are general similarities in the structuring of redistributive policies across all advanced industrial democracies that have important consequences for the stratification of social policy preferences along the dimensions of age and income/education.

Individual social policy preferences

At the micro level, the starting point is the assumption that individual social policy preferences will be shaped by the individual's expectation of becoming the beneficiary of a given redistributive policy. Above, we outlined how this naive class model lays the foundation for conventional political economy models that explain redistributive pref-

erences. Here, however, we argue that it is not only the individual's class position that determines her social policy preferences, but also her position in the life cycle, that is, whether she is retired or not. The reason for the presence of such a "retirement" effect is that social policies are triggered not only by economic need (that is, income), but also by age-related aspects. In this sense, welfare state policies structure welfare state constituencies: The German sociologist Rainer Lepsius has coined the term "provision classes" *(Versorgungsklassen;* Lepsius 1979; see also Alber 1984). In the attempt to overcome the socio-economic stratification of societies, welfare states themselves constitute provision classes by coupling benefits to entitlement criteria (Esping-Andersen 1990). Welfare state constituencies develop an interest in the maintenance and expansion of public social programs (Pierson 2001b), which is why scholars expect the graying of the welfare state in the wake of population aging. For our purposes, the decisive point is that welfare state entitlements (the triggers in the constitution of social need) are based not only on the individual's position in the distribution of incomes, but also on her age.

Education and pension policies are the obvious examples of the age-related character of entitlements. Hence, we expect "retirement" effects to show up most clearly in those policy fields. Given that education is focused on the young, it is to be expected that retired people are less in favor of increases in education spending than the non-retired, controlling for their socio-economic status. The case of pensions is related to, but different from education: of course, retired people are the prime beneficiaries of pension spending. Therefore, a rational choice model for preference formation would expect strong support on the part of retirees for further increases in spending. In contrast to education, the current non-beneficiaries of pension spending (the non-retired) expect to become a beneficiary after they exit from working life. Therefore, they might also support higher pension spending in anticipation of their later life as retirees (Goerres, forthcoming 2008).

Health care and unemployment insurance are more ambiguous because class and age/retirement effects overlap. In the case of unemployment insurance, the risk of social need tends to be concentrated in the lower skills strata. The poorly skilled will therefore be more in favor of spending increases than the rich. Given that the retired have exited the labor market, they may be expected to be against spending increases on unemployment. Therefore, the expectation is that both class and age/retirement effects will be present in the case of unemployment.

For health, we expect a similar result; that is, the rich will oppose increases in spending because this increases their tax bill. In addition, a strong public insurance system crowds out private alternatives, which are preferred by those who can afford them. As is well known, health expenditures increase with old age, so that the non-retired might be opposed to increases in spending that accrue mainly to the retired. But, as in the case of pension spending, the non-retired can expect to need comprehensive health care in their later old age as well, so that they are more willing to tolerate current pensioners' overproportional draw on the system's resources.

To sum up:

Relative importance of retirement effect: Age/retirement effects will show up more strongly for those types of social policies whose redistributive impact is more age-related than income-related, namely education and pensions. Class effects will dominate in the case of spending on health and unemployment, but age effects will be visible as well.

Direction of retirement effect: We expect retired people to be more in opposition to increases in education and unemployment spending. Equally, we expect more supportive spending preferences with regard to pensions and health care from the retired.

Differences between countries: In addition to differences in the cleavage structure across policy fields, we expect strong differences across countries in line with the peculiarities of national welfare state regimes. For example, Lynch (2006) has shown that welfare states exhibit stark differences with regard to their age-orientation. The proposition to be tested is therefore whether the old-age orientation of welfare states is associated with the age/retirement cleavage in individual preferences for social policies. According to the logic of "provision classes," we would expect the age/retirement cleavage to be more salient in those welfare states that are more geared toward the elderly, whereas the class cleavage will be more important in age-neutral welfare states. We also explore various alternative macro-level explanations as to their relationship with the strength of the age/retirement cleavage.

2 Data, methods, and research design

Data

For our empirical analysis, we rely on the third wave of ISSP's "Role of Government," conducted around 1996, as it includes questions on a variety of welfare policies, as well as detailed demographic information. After excluding the countries for which insufficient data are available, we were able to conduct our analysis for 15 countries: Australia, Canada, France, Germany (East and West), Great Britain, Italy, Ireland, Japan, New Zealand, Norway, Spain, Sweden, Switzerland and the United States. Altogether, data for 22,575 people are available; the sample size for the individual countries varies between 989 and 2,518.

These are not the best data that we could wish for. It would be ideal to have panel data that are comparable across countries. Thereby, we would be able to follow intraindividual changes. The cross-sectional nature of this dataset, strictly speaking, allows us only to compare retired individuals with fellow non-retired individuals. There is no opportunity to follow an individual through the transition to retirement. The underlying

assumption therefore is that the causal chains that influence a retiring individual are similar across individuals and – to some extent – stable across time periods. Furthermore, the cross-sectional nature of our data makes it impossible to separate generational differences – which also make the retirees different from younger people – from the pure age/retirement effect. We are therefore unable to show a "clean" retirement effect. But another analysis of the ISSP data in West Germany and Britain has demonstrated that generational differences do not exist (Goerres 2007).

Methods and variables

We conduct ordered logistic regression analyses for each country separately. The ISSP data include various items capturing the individual's attitudes toward the welfare state. There are four areas of redistributive spending: unemployment, education, pensions, and health. The question on spending reads:

> Listed below are various areas of government spending. Please show whether you would like to see more or less government spending in each area. Remember that if you say "much more," it might require a tax increase to pay for it. More or less government spending on: health, education, old age pensions, unemployment benefits. Answer categories: Spend much more, spend more, spend the same as now, spend less, spend much less.

One must be careful in interpreting this indicator. It is not what one might call a trade-off question. Individuals are not asked to disburse a given amount across policy areas. They are implicitly asked to compare their theoretical favorite spending levels with the current one for each policy area separately. Although they are reminded that higher spending levels can lead to increases in taxes, they are not required to make actual calculations.

As independent variables we use, alongside gender, two variables of socio-economic background: education (7 levels of educational achievement) and household income on a 10-point scale (each category is the country-specific decile). We imputed missing values on the income variable from other variables in the data set.[2] Also, we include a general measure of spending propensity.[3] Some individuals tend to agree more with

2 We ran a regression (listwise deletion) with income as our dependent variable. As independent variables we used a variety of demographic and attitudinal information that can be assumed to correlate with income (such as gender, attitudes on taxation, or age). We then used the predicted values to impute for missing data. The percentage of cases that were imputed varies between 0 (Italy) and 35 percent (Japan).

3 For this measure, we used four questions that were of the same form as the ones for our dependent variable. They asked whether the government should spend more, the same, or less on the environment, law enforcement, defense, and culture and the arts. A principal component factor analysis was conducted. All items loaded high on one factor. The predicted values for each case are used as our general measure of spending propensity.

survey items because of personality traits that have nothing to do with politics or with the survey design. Items that are part of a larger battery – like ours – tend to be answered in a consistent manner, even if the individuals' underlying attitudes vary. By including this extra measure, we take out the variance that is unrelated to the phenomenon that we are interested in.[4]

The empirical procedure consists of four steps. First, we demonstrate that retirement matters for public opinion toward the welfare state by looking at some descriptive public opinion differences between the retired and the non-retired groups.

Second, we run a regression on all countries together and on each country sample separately for each of the dependent variables.[5] From the single-country regression results, we create a cleavage measure to assess the intensity of stratification that comes from socio-economic background and from age/retirement. The measures are the impact size of the income variable and the impact size of the retirement dummy. For income, it is the difference in predicted probability (of being in favor of more or much more spending for the respective policy area) of the income variable at its maximum, minus the predicted probability of the income variable at its minimum, with everything else held at its mean (class cleavage).[6] For retirement, it is the difference in predicted probabilities between the retired and the non-retired group, with everything else held constant (age/retirement cleavage). As we run four regressions per country for 15 countries, we get 60 cleavage measures for income and 60 for retirement. The higher the value, the stronger the stratification of preferences on that policy dimension by that social condition.

Third, we rank countries according to the strength of the age/retirement cleavage.

Finally, we offer some tentative bivariate correlations between the age/retirement and the class cleavages and some plausible explanatory macro factors. Thereby we explore plausible explanations for the immense variance between countries within one policy area.

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4 Due to data restrictions, we were not able to include measures of social class (Kitschelt/Rehm 2006) or skill specificity (Iversen/Soskice 2001), as the necessary information to derive these categories (namely the ISCO-codes) is not available for retirees in most countries.

5 The Pseudo R^2 for our models is between 0.05 and 0.07 for all countries together and varies for individual countries. This might not seem very high, but studies with similar research designs obtain about the same level. Examples are Svallfors (2003), Cusack/Iversen/Rehm (2006), and Kitschelt/Rehm (2006).

6 One could argue that the difference between the minimum income group, the bottom decile, and the maximum income group, the top decile, has very little social meaning. Very few people are likely to experience that difference, whereas the move from non-retirement to retirement is experienced by many people. We calculated the difference between the third and the 7^{th} decile for income as well. But the results are obviously directly proportional to the minimum–maximum calculations.

3 Results

Descriptive results

Figures 2 to 5 show variations between 15 countries as to four dependent variables: preferences on health care spending, unemployment spending, education spending, and pension spending. If the column goes to the positive side, retired people are more in favor of spending in that area; if it goes to the left, retired people are less in favor of spending in that area compared to non-retired people. Each column summarizes the aggregate public opinion of the group of the retired minus the opinion of the group of the non-retired. The public opinion of each group is calculated by subtracting the proportion of people who want to decrease spending from the proportion of people who are in favor of higher spending.

Comparing the overall picture for the four areas of spending, we can see that in general retired people tend to be more in favor of pension spending and less in favor of education spending than younger people. This overall result is the typical life-cycle effect that we would expect to see. The average differences between retirees and non-retired lie at about 8 percent for education spending and at about 10 percent for pension spending. Thirteen out of 15 countries show retirees as less in favor of educational spending than non-retired individuals and more in favor of pension spending. But the results are not uniform across all countries.

Figure 2 Differences in health care spending preferences between retirees and non-retired individuals in 15 OECD countries in 1996 (positive values: retirees more in favor than non-retired)

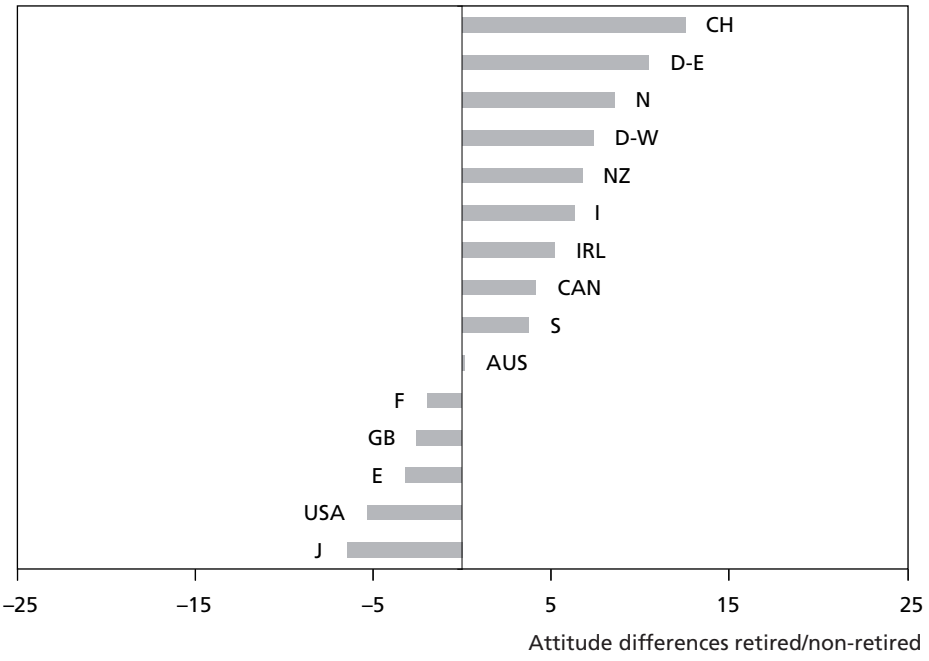


Figure 3 Differences in unemployment spending preferences between retirees and non-retired individuals in 15 OECD countries in 1996 (positive values: retirees more in favor than non-retired)

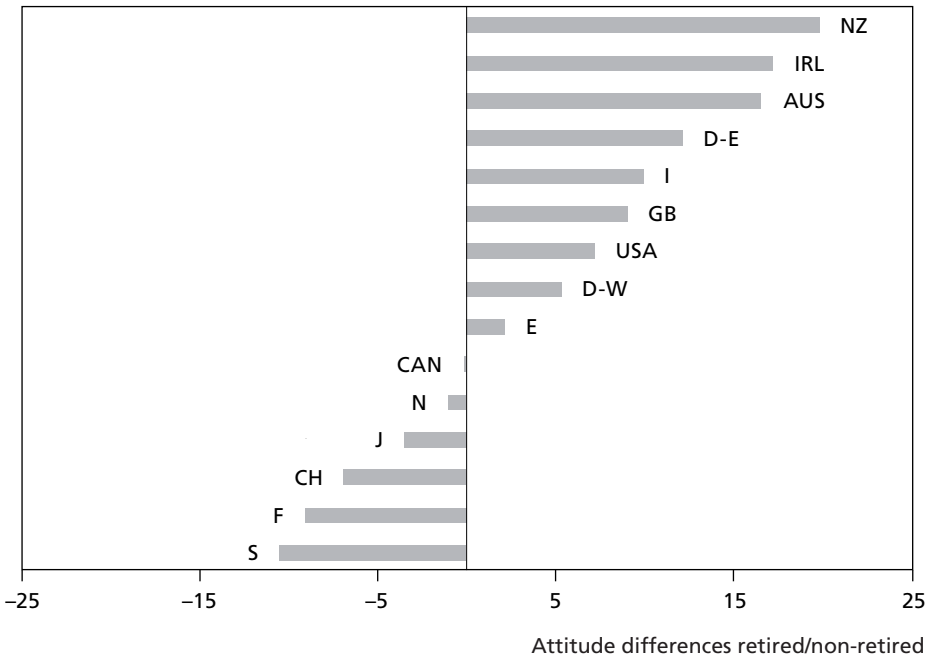


Figure 4 Differences in education spending preferences between retirees and non-retired individuals in 15 OECD countries in 1996 (positive values: retirees more in favor than non-retired)

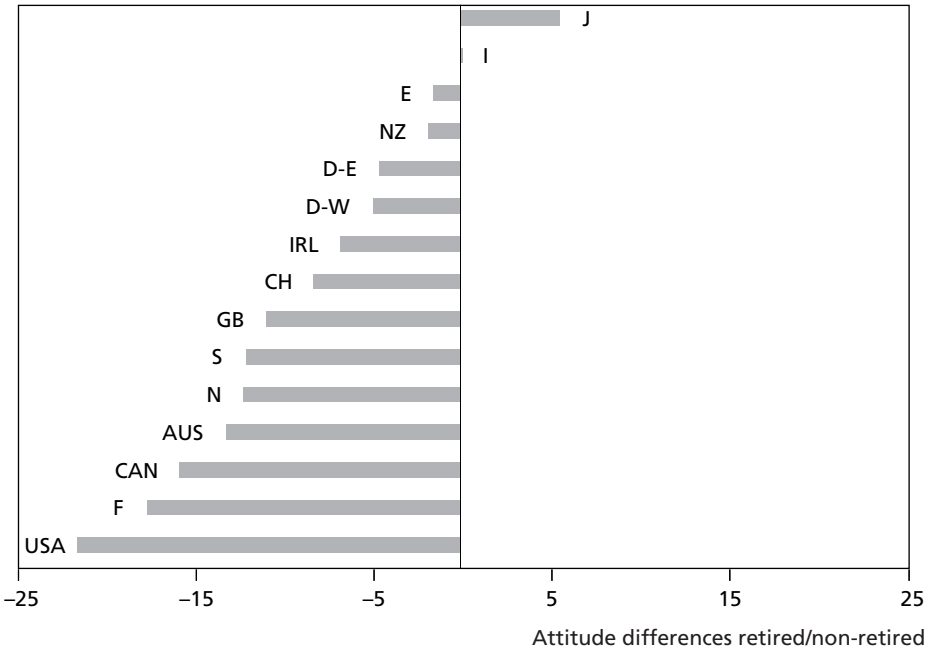
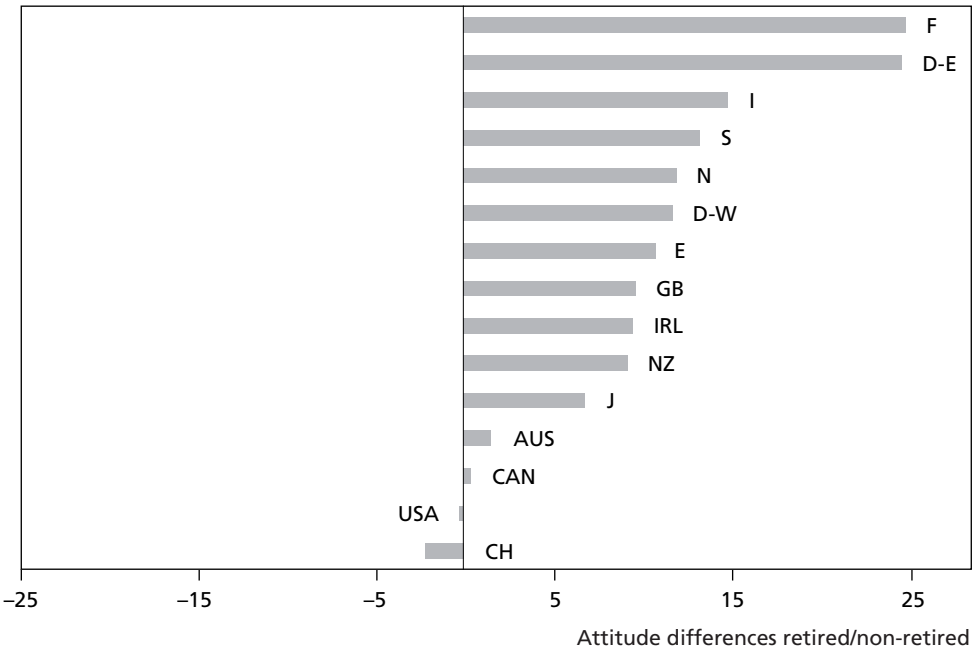


Figure 5 Differences in pension spending preferences between retirees and non-retired individuals in 15 OECD countries in 1996 (positive values: retirees more in favor than non-retired)



For health and unemployment, the average differences between the retired and the non-retired groups are only 3 percent and 4 percent, respectively. We find both patterns of difference between younger and retired people, that is, the number of countries in which the retired are more supportive of increased spending is similar to the number of countries in which they are less supportive.

The graphs show that there are differences between retired and non-retired individuals and that these differences vary across countries. The variance across countries could be due to genuine differences in the meaning of retirement for individual preferences. But they could also stem from compositional effects – retirees in one country could be richer, relative to the working population, than in another country. In order to disentangle these effects, we now turn to multivariate methods.

Multivariate results

Table 1 lists eight regressions for all 15 countries together. The regressions include country dummies to account for country specificities that can cause different intercepts. As we can see, the retired dummy and some of the interactions between retired and income and retired and education are significant. This means that the differences that we have seen between the retired and the non-retired in the descriptive results are not due to

Table 1 Ordered logistic regressions, preferences for welfare spending in 15 OECD countries in 1996

	Health care spending		Unemployment spending		Education spending		Pension spending	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Cut 1: Constant	–6.3774 (61.32)***	–6.443 (54.57)***	–3.1339 (41.31)***	–3.2808 (34.89)***	–4.7601 (46.65)***	–4.5208 (39.02)***	–6.1788 (59.34)***	–6.0833 (51.34)***
Cut 2: Constant	–4.4652 (56.47)***	–4.5306 (46.84)***	–1.4121 (19.73)***	–1.5583 (17.23)***	–3.1189 (40.39)***	–2.8793 (30.38)***	–4.3987 (54.91)***	–4.3035 (43.93)***
Cut 3: Constant	–2.1142 (29.32)***	–2.1793 (23.96)***	0.9683 (13.56)***	0.8239 (9.14)***	–0.4027 (5.70)***	–0.1616 (1.80)*	–1.2985 (18.05)***	–1.2041 (13.21)***
Cut 4: Constant	0.0507 (–0.72)	–0.0144 (–0.16)	2.7604 (37.26)***	2.6169 (28.39)***	1.675 (23.38)***	1.9178 (21.12)***	0.7523 (10.46)***	0.8476 (9.27)***
Female	0.3135 (12.11)***	0.3146 (12.15)***	0.2077 (7.99)***	0.211 (8.12)***	0.203 (7.85)***	0.2008 (7.77)***	0.2068 (7.86)***	0.2047 (7.78)***
Spending control	0.3385 (25.74)***	0.338 (25.69)***	0.2938 (20.31)***	0.293 (20.26)***	0.4486 (30.85)***	0.4499 (30.92)***	0.2404 (17.99)***	0.2413 (18.05)***
Retired	–0.1425 (4.22)***	–0.2521 (2.52)**	–0.164 (4.83)***	–0.4048 (4.02)***	–0.2782 (8.17)***	0.14 (–1.39)	0.085 (2.48)**	0.243 (2.40)**
Education	–0.1506 (14.08)***	–0.1544 (12.98)***	–0.1187 (11.09)***	–0.1221 (10.25)***	0.0806 (7.57)***	0.1056 (8.93)***	–0.2315 (21.21)***	–0.2276 (18.74)***
Retired*education		0.0143 (–0.61)		0.0033 (–0.14)		–0.1149 (4.82)***		–0.0122 (–0.51)
Income	–0.0644 (12.28)***	–0.0666 (11.58)***	–0.1135 (21.31)***	–0.1232 (21.15)***	–0.0193 (3.70)***	–0.0217 (3.80)***	–0.0818 (15.30)***	–0.0772 (13.18)***
Retired*income		0.0127 (–0.93)		0.057 (4.13)***		0.0143 (–1.04)		–0.0274 (1.97)**
Observations	21,591	21,591	21,151	21,151	21,413	21,413	21,332	21,332
Pseudo-R^2	0.07	0.07	0.07	0.07	0.05	0.05	0.06	0.06

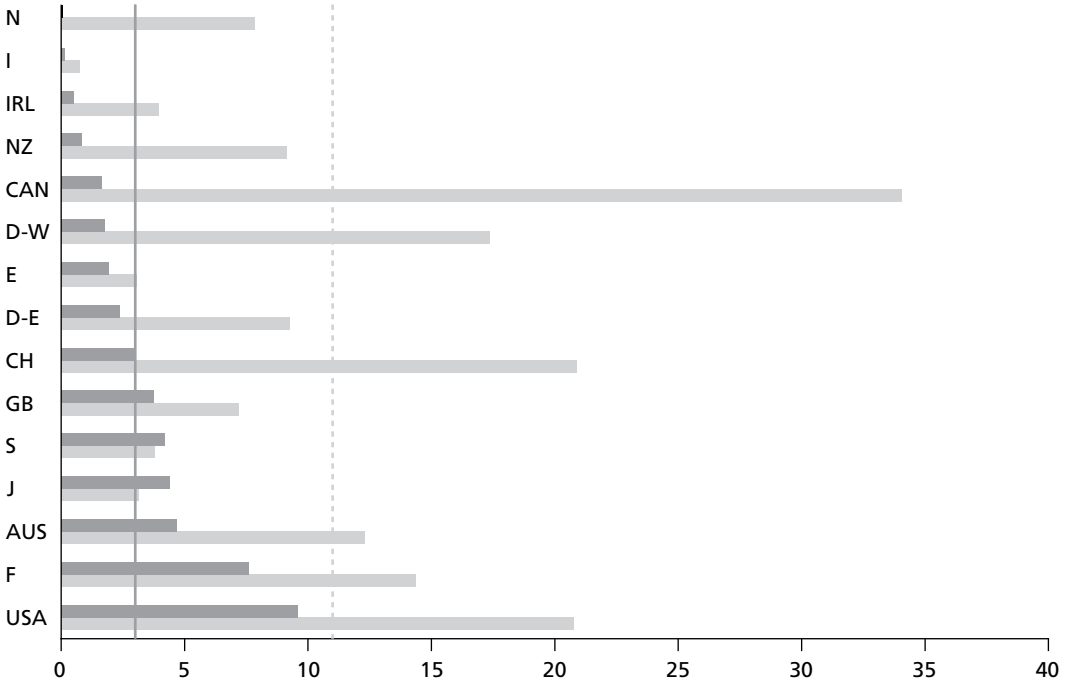
Absolute value of z statistics in parentheses (* significant at 10 percent; ** significant at 5 percent; *** significant at 1 percent).
All estimations include a full set of country dummies (not shown).

compositional effects due to gender, education, or income. Even when we account for these effects, there remains a residual effect of retirement that in some cases interacts with effects of education and income. The group of older retirees might be less educated due to cohort effects or consist of more women due to varying mortality rates, but this alone cannot explain their differences.

Figures 6 to 9 show the variance of the cleavage measures calculated from single-country regressions for all four areas of spending and all 15 countries. The black columns represent the strength of the age/retirement cleavage; it can range from 0 percent (health in Norway) to 17 percent (education in the USA). That means that the difference in the probability of being in favor of more spending between the retired and the non-retired may be nil in one country/policy field and up to 17 percent in the most extreme case. The gray columns stand for the strength of the class cleavage; it can range from about 1 percent (education in Japan) to about 42 percent (unemployment spending in Great Britain).

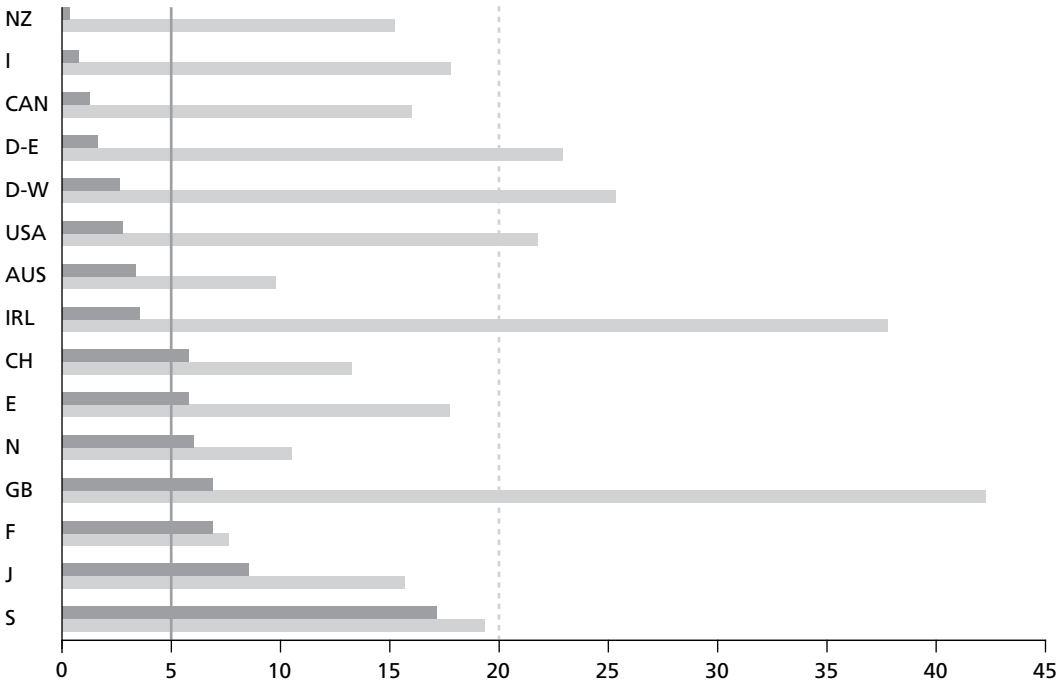
The cleavage measures stand for the intensity of stratification of individual attitudes toward certain redistributive policy areas – in terms of either class or age/retirement. They can be compared across countries and across policy areas because they are measured in probability changes (in effect, percentage points).

Figure 6 Cleavages of age and class in preferences for health care spending in 15 OECD countries in 1996



Percentage of attitude differences between retired/non-retired (dark grey) and highest/lowest income class (light grey) with everything else held at its mean value.

Figure 7 Cleavages of age and class in preferences for unemployment spending in 15 OECD countries in 1996

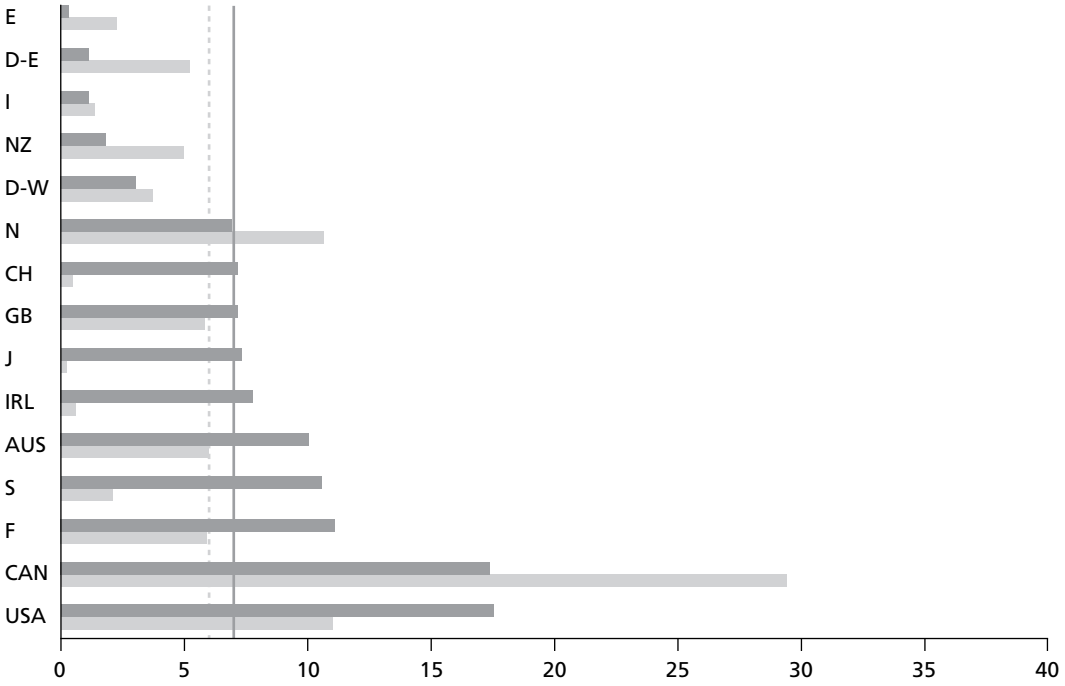


Percentage of attitude differences between retired/non-retired (dark grey) and highest/lowest income class (light grey) with everything else held at its mean value.

For health care spending, we find that the age/retirement cleavage tends to be smaller than the class cleavage. The mean of the former lies at 3 percent compared to 11 percent in the case of the latter. Compared to the age/retirement cleavage in other policy areas, the age cleavage is relatively small. This finding runs counter to the expectation that the non-retired will oppose increases in health spending. Apparently, demand for universal health insurance is more dependent on the individual's class position than on her position in the life cycle. The maximum difference between retired and non-retired is about 9 percent in the United States. The preference stratification by income varies between about 2 percent in Italy and 34 percent in Canada. We will further explore the differences between countries in the next section.

In the area of unemployment spending, there is a generally high level of class stratification (large gray columns across countries with a mean of 20 percent). This is in line with our expectations: income as a main indicator of socio-economic position should be very important in determining one's expectations of protection from the labor market. Surprisingly, some countries also show a strong stratification by age (with a mean of 5 percent), although it never reaches the magnitude of the class cleavage. For example, in Sweden, the age/retirement cleavage is 17 percent, whereas the class cleavage is only slightly larger, at 19 percent. As expected, age/retirement and class effects overlap in the case of unemployment spending, with retirees being opposed to higher spending (see the negative regression coefficient in models 3 and 4 of Table 1).

Figure 8 Cleavages of age and class in preferences for educational spending in 15 OECD countries in 1996

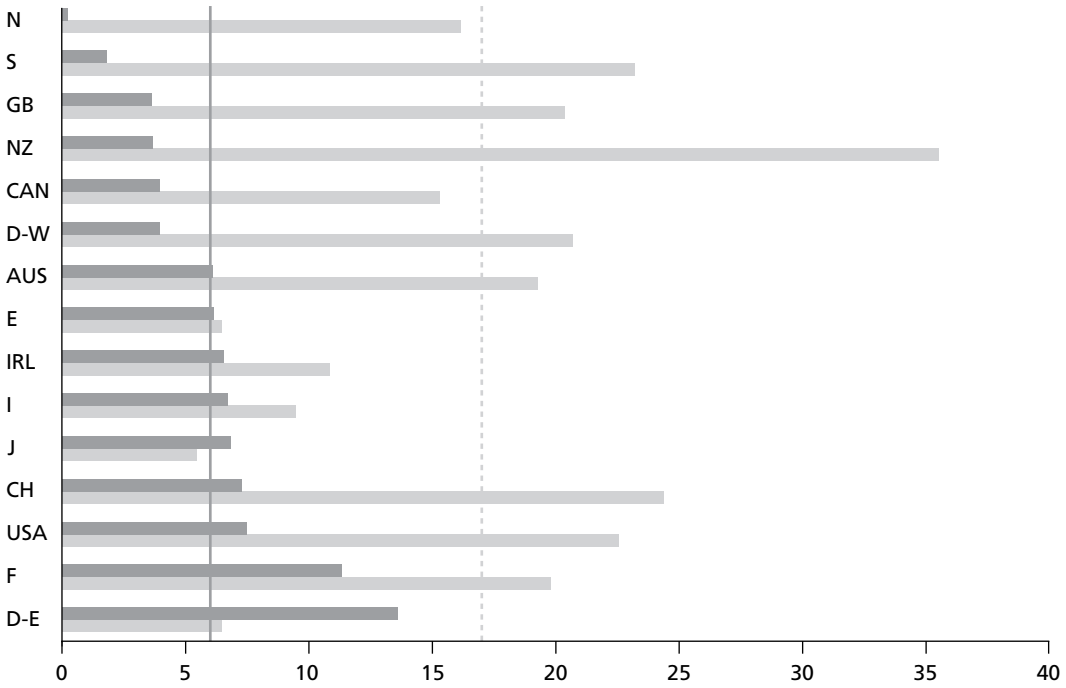


Percentage of attitude differences between retired/non-retired (dark grey) and highest/lowest income class (light grey) with everything else held at its mean value.

In the area of education spending, the general pattern shows a strong age/retirement cleavage with a mean of 7 percent. In comparison to the other policy areas, age/retirement effects are most pronounced in the case of education. Also, the age/retirement cleavage is more important than the class cleavage, which has a mean of 6 percent. Education policy has unambiguous life-cycle implications. Younger people, who either are still in education or who have school-attending children, benefit more from public education than older retirees. Thus, age is an important factor explaining differences in attitudes toward educational spending.

Finally, the cleavage measure in pension spending does not show the expected uniform prevalence of strong age stratification. The average level of the age/retirement cleavage is more similar to unemployment than to education, meaning that the life cycle does not structure attitudes as strongly as in the area of education. Class effects are much more important than age in many countries, such as New Zealand, Switzerland, and the USA. The mean of the age/retirement cleavage lies at 6 percent and that of the class cleavage at 17 percent. This poses a puzzle, although we were expecting a pre-retirement effect with middle-aged members of the working population having a vital interest in higher public pension spending levels. The "antagonism" between young and old is not very prevalent in the area of pension policy, which is the most important policy area in need of reform in aging societies.

Figure 9 Cleavages of age and class in preferences for pension spending in 15 OECD countries in 1996



Percentage of attitude differences between retired/non-retired (dark grey) and highest/lowest income class (light grey) with everything else held at its mean value.

In addition to simple average cleavage effects (Figures 6 to 9), we calculated the impact of the age/retirement cleavage in interaction with the class cleavage (results are obtainable from the authors). Overall, the results of the single-country regressions with interaction effects between retired and income confirm the results obtained above. This is particularly noteworthy for pension spending where we obtained results against our expectations: in nine out of 15 countries, we find the class cleavage to be stronger for retired people than for the non-retired. The naive conception of pensioners being in favor of more public spending on pensions is therefore not adequate. Instead, it is necessary to think more clearly about who is interested in more spending on pensions and why. A cursory inspection of the variation of the explanatory contribution of the age/retirement cleavage suggests that the nature of pension systems matters. In Bismarckian pension systems (for example, Germany, Italy, and France), the level of benefits depends strongly on previous earnings and is covered by protection of confidence. Consequently, the class cleavage among the retired (and among the non-retired) is less strong. In Beveridge-type and residualist public pension systems (for example, Sweden, Japan, New Zealand, USA, Great Britain, and Ireland), class effects within the group of retirees are more pronounced because poor pensioners benefit disproportionately from the public system and rich pensioners prefer to live off and invest in private alternatives.

Summing up, we find a strong age/retirement cleavage in the case of education. In the other policy areas (unemployment, pension, health), we find both class and age effects, although according to the "naive" model of preference formation proposed above, we would have expected stronger age effects. Given the explorative approach of this paper, these findings pose new questions. Apparently, a model purely based on rational expectations cannot explain the variation in individual social policy preferences very well. More sophisticated explanations need to be developed in the future.

Macro-level relationships: Rankings and bivariate correlations

As a final step, we now take a tentative look at the macro features of the results we presented in the previous sections. Which countries have the highest potential for a conflict between age groups? The magnitude of age stratification in social policy preferences can be interpreted as a necessary, but not sufficient condition for latent cleavages to become manifest. It is possible to rank countries according to the size of the age/retirement cleavage measure in the four policy areas. Table 2 provides a ranking of countries, with columns 3 to 6 showing the ranking in the four policy areas and a summary (average) measure in the second column that, in turn, is the foundation for the absolute ranks of countries shown in the first column. The numbers show that some countries exhibit stronger overall age/retirement effects than others. In general, the populations of France and the United States show high levels of age/retirement-related stratification. That means that – no matter what the policy area – knowing the age of a person tells us a great deal about the difference between that person's attitudes and those of people of other ages in these two countries. At the bottom of the table, we find New Zealand and Italy, where differences in attitudes can generally not be well explained by age dif-

Table 2 Ranking of 15 OECD countries according to age/retirement cleavage

	Absolute rank	Mean	Rank health care	Rank unemployment	Rank education	Rank pension
France	1	2.5	2	3	3	2
USA	2	3.75	1	10	1	3
Japan	3	4.5	4	2	7	5
Sweden	4	6	5	1	4	14
Australia	5	6.5	3	9	5	9
Switzerland	6	6.75	7	7	9	4
Great Britain	7	7.75	6	4	8	13
Ireland	8	8.5	13	8	6	7
East Germany	9	8.75	8	12	14	1
Canada	10	9.25	11	13	2	11
Spain	11	9.5	9	6	15	8
West Germany	12	10.5	10	11	11	10
Norway	13	11.25	15	5	10	15
Italy	14	11.75	14	14	13	6
New Zealand	15	12.75	12	15	12	12

Table 3 Correlations, age cleavage and several macro indicators in 15 OECD countries around 1996

	Health care policies	Unemployment policies	Education policies	Pension policies
General				
GDP per capita	.52	0.02	.66	0.00
Total public social expenditure (% GDP)	0.05	.62	–0.08	–0.16
Total subsidies (% GDP)	–0.19	.57	0.00	–0.39
Overall welfare state generosity index	–0.19	.58	–0.06	–0.48
Gini coefficient	0.20	–.71	0.10	0.40
Age orientation (Lynch)	–0.08	.02	–0.38	0.30
Age structure				
% aged 15 or younger	0.09	–0.28	0.39	–0.14
% aged 65 or older	0.01	.65	–0.30	–0.12
Age dependency ratio	0.14	0.36	0.23	–0.38
Education				
Total education expenditure (% GDP)	0.36	0.11	.75	–0.18
Public education expenditure (% GDP)	–0.03	0.24	0.41	–0.40
Private education expenditure (% GDP)	0.54	–0.35	0.37	0.18
Health Care Expenditure				
Total health care expenditure (% GDP)	.71	–0.07	0.65	0.33
Public health care expenditure (% GDP)	0.38	.56	0.42	–0.16
Private health care expenditure (% GDP)	0.59	–0.32	.50	0.44
Health care generosity index	–0.29	.65	–0.26	–0.37
Unemployment				
Unemployment benefit generosity index	0.06	.57	0.27	–0.44
Pension				
Pension generosity index	–0.16	0.06	–0.05	–0.29

N=13 (excludes West and East Germany); * not available for Switzerland.
All data are for 1996 unless stated otherwise.
Sources: GDP per capita: OECD (2003b); Total public social expenditure, age structure variables: OECD, (2007c); Total subsidies: own calculations based on OECD (2007a); Overall Welfare State Generosity Index, Health Care Generosity Index, Unemployment Benefit Generosity Index, Pension Generosity Index (ten year average from 1987–1996): Lyle (2006); Gini coefficient (latest available + measure): CIA (2007); Age Orientation: Lynch (2006); Health care expenditure variables: OECD (2003a); Education expenditure variables: OECD (2007b).

ferences. In between, there are a few countries that do not have clear-cut patterns, with some cleavage measures being high-ranked and others low-ranked.

Let us now turn to bivariate correlations between the age/retirement measure and some conceptual variables. Is there a systematic pattern in respect of why the countries differ so widely in the strength of their respective age/retirement and class cleavages? In order

to test for this, we perform bivariate correlations between the strength of the age/retirement and some key macro variables.[7] West and East Germany were excluded as they share a common institutional background and the attitude differences between the two obviously have to be explained by variables that are not so easily quantifiable.

We find that there is no single variable (such as Lynch's age orientation factor) that determines how strong the cleavages are – for example, that correlate highly with the conflict patterns in all four areas. Instead, we find that the strength of the cleavages depends very much on concrete spending levels in each country. Higher spending and/or more generous policy schemes are associated with a more pronounced age/retirement conflict with respect to health care, unemployment, and education policies. For pension policies, however, it is the other way around: if they are more generous, the age conflict over them *decreases*.

Table 3 lists the pairwise correlations of some key macro variables with the strength of the age/retirement cleavage. For attitudes toward health care policies, we find that the higher the total health care expenditure, the larger the age/retirement cleavage ($r = 0.71$). Especially the amount of private spending on health care is important. The strength of the age/retirement cleavage for unemployment policies is driven by how much is spent on the unemployed – the more generous the policies, the stronger the conflict between the retired and the non-retired ($r = 0.57$). But we find that the more unequal a society is (measured by the Gini coefficient), the *weaker* is the age/retirement cleavage. This probably reflects the fact that societies are more unequal precisely because they provide little support for the unemployed and there is a general consensus of unwillingness to support such targeted policies. Although the age/retirement cleavage over unemployment spending is rather weak in comparison to the class cleavage, we find signs that it might become more important in the future: the older a society is (measured by the share of people 65 and older), the larger is the age/retirement cleavage on unemployment spending ($r = 0.65$). And as societies grow older in the years to come, it can be expected that this cleavage will become more important.

The strength of the age/retirement conflict over education spending follows the same pattern: the higher the total education expenditure, the more pronounced are both cleavages ($r = 0.75$).

Finally, public opinion on pension spending follows a completely different pattern than all the other policies: if pension regimes are more generous, the age conflict over them *decreases*, although the correlation is rather weak ($r = -0.29$). We find the same pattern if we look at general measures of welfare spending, such as Scruggs' index of overall welfare state generosity ($r = -0.48$), signaling that attitudes toward pension spending are different from attitudes toward the other policies.

7 We calculated the same correlations for the class cleavage measure, but to save space we do not present them here. Results are obtainable from the authors.

As interesting as these findings are, it should be kept in mind that they reflect only the patterns in 13 countries at one point in time and therefore can be considered only tentative. We are also unable to say anything about the causality of the correlations – is there conflict because of the spending patterns or do spending patterns follow the preferences of influential groups?

4 Conclusions

Our conclusions can be condensed into four statements:

First, age matters. The empirical evidence presented in this article has confirmed the relevance of the class cleavage for explaining individual preferences for redistributive social policies. But we have shown that, in addition to the class cleavage, the age/retirement cleavage too can shape redistributive preferences. Therefore, the conventional wisdom in the political economy literature – namely that "people's position in the economy" (Cusack/Iversen/Rehm 2006: 366) determines policy preferences – should be amended to take account of "people's position in the life cycle."

Second, the relevance of the age/retirement cleavage varies across policy fields. This is because redistributive social policies vary according to the degree to which they are age-related. The strongest age effects were found in the case of preferences for education spending, while the class cleavage dominates most clearly in the case of unemployment spending.

Third, in addition to the variance in the relative relevance of cleavages across policy fields, we found large differences across countries within a given policy area. Even in the case of education spending, the severity of the age/retirement cleavage varies considerably. In the final parts of the empirical analysis, we attempted to provide some explanations of this. We found that the age orientation of the welfare state (Lynch 2006) is less relevant than its generosity. Here it becomes clear that the case of pension spending poses an intriguing puzzle that needs to be explored further. While in the case of preferences for unemployment, health care, and education spending, higher actual levels of spending were associated with stronger cleavage structures, a more generous pension regime is associated with an attenuated age/retirement cleavage. In addition, we found that in the case of pension spending, the class cleavage within the group of retired people is stronger than for the non-retired, particularly in countries without a Bismarckian pension system.

Fourth, in terms of theory-building, the empirical analysis has shown that hypotheses based on a simple rational choice model of preference formation cannot explain the importance of age/retirement very well. Particularly in the cases of pension and health

spending, a naive conception of the importance of age/retirement would have expected much stronger effects. Given the explorative and empirical nature of this article, we hope the findings encourage scholars to develop new theoretical tools in order to improve our understanding of the nature of political conflicts in aging societies.

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