

Cracks in the Foundation. Retrenchment in Advanced Welfare States

By **Lea Elsässer, Inga Rademacher and Armin Schäfer**

University of Osnabrück and Max Planck Institute for the Study of Societies, elsaesser@mpifg.de ; radermacher@mpifg.de ; armin.schaefer@uos.de

Abstract

In this article, we shed new light on the question of the degree to which welfare retrenchment has taken place. Using disaggregated data in four spending categories over almost three decades, we show that most countries still spend more today than in 1980, but less than at the peak. While absolute retrenchment below the 1980 level is rare, relative retrenchment is very frequent. At the same time, the deepest cuts have taken place in those areas that most reduce inequality. We document a shift in spending from the working-age population to pensions, on one hand, and services on the other. In many instances, welfare state retrenchment has been most pronounced in the most generous welfare states of Scandinavia and continental Europe. Taken together, our findings show that social spending has not been immune to retrenchment, as “New Politics” authors have suggested. With hindsight, the 1990s can be identified as a turning point when welfare state expansion came to an end, ushering in a phase of retrenchment.

1 Introduction

For a long time, the Scandinavian countries seemed like the Promised Land to left-leaning people in Europe and North America. These small countries at the northern edge of the continent reconciled a liberal market economy with high levels of equality; economic competitiveness with far-reaching decommodification and strong trade unions; low unemployment with low inflation; and, also, above average female employment rates with high birth rates. Crime rates were low, the population well educated, social mobility was comparatively high, and citizens were, by and large, satisfied with the way democracy worked there. To many observers, Scandinavia proved that a more humane form of capitalism was possible.

This image of superior Scandinavian welfare was produced mainly by power resource theory. Starting with Gøsta Esping-Andersen’s (1990) *Three Worlds of Welfare Capitalism*, welfare state typologies always ended up with Nordic countries setting the quantitative and qualitative standard in social spending. Scandinavian welfare is not only much larger in terms of overall spending, it also is “universal”, as opposed to continental European welfare, which is merely “earnings-related,” and Anglo-Saxon welfare, which is “means-tested” (Esping-Andersen 1990: 26). The level of redistribution is much higher in Nordic countries through a combination of universal and insurance-related welfare (Korpi and Palme 1998). Accordingly, it provides labor with the highest degree of de-commodification or, as Esping-Andersen put it: “emancipation from market dependency” (Esping-Andersen 1990: 47).

Although the high level of welfare spending originates and reinforces the power of leftist parties and trade unions, such leftist power does not conflict with capitalism. Corporatist institutions align capital and labor interests and embed spending “in a mutually supportive relationship with co-ordinated production regimes” (Huber and Stephens 2002: 48). That explains why a large proportion of the spending goes to services such as education, day care, elderly care, and active labor market policies, which enhance a country’s competitiveness (Huber, Ragin and Stephens 1993). At the same time, government supports labor training and R&D by providing funds and trade union strength allows for a compressed wage structure. Accordingly, power resource theorist argued that even under economic pressure – i.e. globalization and economic crisis – Nordic welfare was sustainable (Cameron 1978; Hays 2003). In line with this prediction, much current research has found that welfare state retrenchment is happening least in Scandinavian countries (Pierson 1996; Garrett 1998; Korpi and Palme 2003; Kenworthy 2004; Swank 2003; Brooks and Manza 2007).

We argue that the findings of welfare state research depend strongly on the measure of welfare that is applied. Most welfare state research uses aggregate spending data and looks at the period between the early 1980s and mid-1990s. However, more recent and more fine-grained data

are now available. Only if one adds the late 1990s and 2000s to the analysis, the far-reaching recalibration and retrenchment of the advanced welfare states become visible. Also, by disaggregating welfare programs, we show that policymakers have initiated a shift from more income-redistributing measures, such as unemployment cash transfers, to activating services and family spending, such as day care and home-help services. De-commodifying working-age spending is increasingly being cut across the OECD; again, this trend is most visible in Nordic welfare states.

2 Literature review: How much retrenchment has taken place?

Up to the 1970s, the scholarly debate about welfare state change focused on the emergence and expansion of the welfare state and the determinants of different welfare state regimes. With the economic crises of the 1970s and the subsequent rise of conservative governments in the United Kingdom and the United States, existing welfare state institutions became seriously challenged. As a result, the focus of comparative social policy researchers shifted from the explanation of expansionary welfare politics to the "politics of retrenchment." The seminal work of Paul Pierson (1994; 1996) and his theory of the "new politics of the welfare state" started a long and fruitful debate on welfare state retrenchment. According to Pierson, welfare state retrenchment follows a different logic than welfare state expansion because both the goals of politicians and the context they find themselves in are different from that of the postwar period, making retrenchment a difficult political task (Pierson 1996: 144-148). He argued that two sources of support in particular help to stabilize the contemporary welfare state. First, the expansion of the welfare state has led to strong popular support for social policies and has created strong interest-groups for particular programs, which are well organized and ready to resist potential cutbacks. Thus, politics of retrenchment always involve high political risk and necessarily become politics of 'blame avoidance'. Second, the inertia of existing welfare institutions impedes any attempt at radical reform. Drawing on these arguments, Pierson explained why not even the neoliberal governments of Reagan and Thatcher in the 1980s were able to dismantle the welfare state, concluding that the "welfare state remains the most resilience aspect of the postwar political economy" (Pierson 1996: 179).

Following Pierson's lead, much of the debate in subsequent years centered on explanations of welfare state resilience (Quinn 1997; Garrett 1998; Clayton/ Pontusson

2000; Castles 2004).¹ Castles (2004), for instance, argued that neither globalization nor population ageing have led to a significant rollback of the welfare state. He showed that social spending remained high and even replaced other areas of public spending, which led him to conclude that "the strongest tendency of the past two decades has been a convergence towards what may, perhaps, most appropriately be described as a 'steady state' welfare state" (Castles 2004: 168). More recently, Brooks/Manza (2007) confirmed the resilience thesis by showing empirically that welfare state effort continues to be high when public preferences are in favor of a strong welfare state, thereby affirming Pierson's argument about the importance of public support for welfare.

However, this view of the "resilient" welfare state is far from uncontested. At the end of the 1990s and the beginning of the 2000s, various scholars opposed some of Pierson's central arguments. One main criticism was that proponents of the "resilience" argument could not adequately capture welfare state change and its underlying dynamics because they used inadequate indicators to measure welfare state generosity. Their critique applied mainly to the use of aggregate public spending. Spending data have been criticized for many reasons, mainly because total social expenditure, measured as a percentage of GDP, is highly driven by social need, demographic developments and economic performance.² Moreover, using only a single indicator such as total social expenditure cannot capture program-specific developments or dynamics between different welfare areas. Thus, according to critics, aggregate spending data do not capture adequately the true dimension of welfare state generosity as they fail to show how *individual* life chances are shaped by welfare state policies (Clayton/Pontusson 1998; Korpi/Palme 2003; Allan/Scruggs 2004, Rueda 2008).

In reaction to this debate, several alternative ways to capture the nature and extent of welfare state change have been proposed. In order to adjust public expenditure data to social need, some authors have used welfare-to-need ratios to make the data more sensitive to socio-economic developments. They have come to the conclusion that retrenchment has indeed taken place. Clayton/Pontusson (1998), for example, used total social spending per poor person and per aged-plus-unemployed person and showed that the average growth of this per capita spending slowed down in the 1980s. More importantly, a group of scholars developed an approach of measuring welfare state generosity based on the notion of "social rights." They focused

on individual entitlements rather than aggregate welfare effort. In order to enable comparisons over time and across countries, they calculated net replacement rates in case of unemployment, work accidents, sickness and old age and showed that considerable cutbacks in replacement rates have taken place since the 1980s (Allan/Scruggs 2004; Korpi/Palme 2003; Scruggs 2007).³ While one central message of their studies was that a rollback of the welfare state had indeed taken place, the main focus of their studies centered on the question of whether “politics matter.” They opposed Pierson and others (Huber/Stephens 2001, 2014; Allan/Scruggs 2004; Kittel/Obinger 2003) who had concluded that even though partisan politics were important for welfare state expansion, they play only a minor role in the process of contemporary welfare change.⁴

Net replacement rate data have substantially advanced our knowledge of the development of the welfare state, as they focus on the individual “degree of de-commodification of risks” (Allan/Scruggs 2004: 503) and enable insights into program specific trends. However, even though they overcome many shortcomings of social expenditure data, they are not problem-free. One main criticism is that replacement rates are based on the wage of an “average production worker.” As atypical employment continues to grow and, in addition to that, cutbacks often hit “atypical” groups, replacement rates might not capture the most far-reaching retrenchment events (Starke 2008: 18). Moreover, as they display *income* replacement in case of unemployment, benefits in kind and services are excluded from the analysis. Given that the scope of services tends to grow, substantial changes might go unnoticed. In addition to that, changes in taxation or developments of the real wage of an average production worker can influence replacement rates, even though these developments do not lie in the realm of welfare policies (Wenzelburger/Zohlnhöfer/Wolf 2013: 1231). This drawback is similar to the criticism raised with regard to spending data, as in both cases data might be manipulated through developments not directly related to legislative decisions. A further criticism concerns the reliability of replacement rate data. A recent study that compares the two main datasets of replacement rates finds considerable differences between the two data sources both in levels and in changes over time (Wenzelburger/Zohlnhöfer/Wolf 2013).

Apart from the above discussed quantitative comparative studies, a large body of qualitative case studies on welfare state change has been published during the past two decades. Qualitative studies have the caveat that most of them are single case studies and it is hard to detect a general

trend in welfare state retrenchment across OECD countries. At the same time, however, these studies are able to capture all the different levels of welfare state development which macro-data might overlook. Taken together, there is a trend in qualitative research from earlier accounts, which focused on the resilience of welfare, to newer accounts, which look at retrenchment. Pierson (1994) shows Anglo-Saxon resilience, Palier (2001) and Schmidt (2002) focus on conservative welfare states and their resilience until the mid-1990s and Steinmo (2002) and Bergqvist and Lindbom (2003) describe the resilience of the core of the Scandinavian model. Newer accounts, however, take retrenchment in some areas of welfare more or less for granted and have concentrated on explaining why some retrenchers go further than others. Here some laid the focus on institutions and party competition (Green-Pedersen 2002; Hacker 2005; Starke 2006) and others on the level of organization of welfare recipients (Kitschelt 2001; Hacker and Pierson 2010).

In recent years, and in part as a reaction to the criticisms of the advocates of the “social rights” approach, scholars have started to systematically analyze disaggregated rather than aggregated spending data in order to achieve a more differentiated picture of welfare state spending profiles and the differences between them (Castles 2008). Already in the 1990s, scholars had partly used data for single welfare programs to analyze different areas. But data availability was highly restricted up to the late 1990s and impeded a comprehensive analysis of spending patterns. Castles (2008; 2011) uses disaggregated social spending data from the OECD SOCX data base to show “how different types of social programs contribute to the attainment of particular welfare state goals and to paint a more differentiated picture of the factors shaping national welfare profiles” (Castles 2008: 47).⁵ He finds that countries can be clustered into “families of nations” according to their different spending profiles. Moreover, he was able to show that of the four broad spending categories he looks at, only expenditure for the working-age was negatively correlated with inequality, thereby demonstrating that different spending categories serve different political purposes. These studies offer important insights into the character of welfare states with different expenditure distributions and their effect on political outcomes. However, as they only examine one point in time, they do not allow for conclusions about welfare state dynamics over the past three decades.

3 Trends in social policy spending

The *OECD Social Expenditure Database*, which was set up in the early 1990s, enables us to analyze trends in both aggregate social spending and its disaggregated components, as it contains data on private and public social spending for nine program-based spending categories: old age, survivors, incapacity-related, health, family, active labor market (ALMP), unemployment, housing and other social policy. Where applicable, categories are subdivided into cash benefits and benefits in kind. Based on this detailed program-specific data, the OECD also reports on public spending in four broad social policy areas: old age-related cash expenditure (pensions), income support for the working-age population, health expenditure and other service expenditure. This broader distinction is useful for examining retrenchment trends and dynamics because each of these categories serves a different goal. Whereas working-age cash-spending most effectively reduces vertical inequalities, spending on public health has the purpose of risk protection and pensions are directed mainly at horizontal life-cycle distribution (Castles 2008: 59). Services, in turn, help to master “new social risks,” such as “balancing paid work and family responsibilities” (Taylor-Gooby 2004: 5). Therefore, by analyzing trends over time, we are able to see whether spending priorities, and thus welfare state goals, have shifted.

In this section, we look at spending developments in 22 OECD countries since 1980. However, in order to examine whether retrenchment has taken place or not, it is not enough to measure whether spending is higher today than it was in 1980. Even if spending has increased in comparison with this baseline, spending cuts may still have occurred within the period under examination if spending today is lower than it was at some “peak” point. Therefore, we measure both absolute change and change in relation to peak spending between 1980 and 2008, referring to the latter as relative retrenchment. We start by looking at the development of total social spending (Figure 1). Three observations are worth noting. First, in all countries except the Netherlands, social expenditure today is higher than it was in 1980. Increases have been most pronounced in Portugal, Greece, and Japan. In eight countries, this is the second observation, spending has actually never been higher than at present – in these countries there is no indication of either absolute or relative retrenchment. This does not hold, third, for the other 14 countries. For them, social expenditure in 2008 was lower than it was in the past. While there are only minor cuts in some countries,

there are substantial ones in the Netherlands, Sweden, Finland, and Norway. Sweden, the archetypical social democratic welfare state, spends 8 percentage points of GDP less today than it did in the past.

See appendix, Figure 1: Changes in total social spending between 1980 and 2008

However, changes in overall social expenditure do not tell us in which policy areas cuts have been most severe. Therefore, we now look at four broad spending categories more closely. In the area of public health services, we observe overall expansion rather than retrenchment (Figure 2, left side). Public health spending in 2008 was higher almost everywhere than it was in 1980, with increases varying between 1 and 5 percentage points of national GDP. In nine countries, health expenditure reached its peak in 2008. Also in nine countries, spending was higher at some point in the past, indicating relative retrenchment of around 1 percentage point of GDP in these countries. Sweden is the only country with lower spending levels today than in 1980. Overall, changes in health care have been relatively modest. We next turn to the category “other services,” which include benefits in kind in the following areas: old age, incapacity, family, housing and other social services. More concretely, these benefits consist of services such as residential care, day care, home-help services or social assistance. In this area, we generally observe an expansionary move (Figure 2, right side). Everywhere, except in the United States and Canada, benefits-in-kind increased between 1980 and 2008, while, at the same time, retrenchment remained relatively modest.⁶ However, these increases average around one percentage point of GDP, which is relatively little compared with the cuts for the working-age population, as we will now see.

See appendix, Figure 2: Changes in spending on health benefits and on other services between 1980 and 2008

In contrast to health care benefits and services, there have been substantial changes in two other social policy areas, namely age-related cash expenditure and working-age income support.⁷ On average, age-related cash expenditure has increased since 1980, but spending trends are very diverse across countries (Figure 3, left side). In five countries, spending on pensions is higher today than at any point in the past. The highest increases have taken place in Portugal, Greece, Italy, and Japan – all of which are late-comers in the development of the welfare state. In 17 countries, relative retrenchment has taken place, most

substantially in New Zealand and Luxembourg. In these two countries, as well as the Netherlands, Ireland, and the United States, age-related spending was lower in 2008 than it had been in 1980. Retrenchment has been most pronounced in the area of income support for the working-age population (Figure 3, right side). Without exception, all countries spent less on income support for the working-age population in 2008 than they did at some point in the past, and in eight out of 20 countries spending in 2008 was lower than in 1980.⁸ Notably, the largest cuts took place in the most generous welfare states of north-western Europe.

See appendix, Figure 3: Changes in spending on the elderly and the working-age population

The analysis so far suggests that welfare cuts have been most pronounced for the working-age population. However, this category includes programs for families, as well as unemployed persons. To get a clearer picture, we further disaggregate this category and look at family cash benefits and unemployment cash benefits in more detail.⁹ As Figure 4 shows, spending on families exceeds the 1980 level in nine countries. Ireland, Luxembourg, and Australia have experienced the highest increases. However, in 13 countries relative retrenchment has taken place and in nine of these spending was lower in 2008 than in 1980. Again, it is the group of heavy-spending northwest European countries that have cut spending most. However, the extent of the cuts for families is much smaller than that for the unemployed. With the single exception of Greece, relative retrenchment has taken place everywhere (Figure 4, right side). In ten countries, unemployment spending is lower than in 1980, sometimes by up to 3 percentage points of GDP.

See appendix, Figure 4: Spending on families and the unemployed

However, aggregated spending data might be misleading as this indicator ignores social need, demographic developments, and economic performance. An increase in expenditure on the elderly might, for instance, only reflect a growing share of pensioners in the population and thus does not necessarily indicate an increase in welfare state generosity. The same is true of expenditure on unemployment as spending in this category is highly driven by the share of the population in need. In order to account for these potential distortions, we adjust both age-related and unemployment expenditure.¹⁰ Following Huber and Ste-

phens (2001), we divide the age-related expenditure as a percentage of GDP by the share of the population over 65, which is equivalent to the ratio of spending per aged person to GDP per capita. Similarly, we divide unemployment expenditure by the unemployment rate.¹¹

See appendix, Figure 5: Weighted spending on unemployment and pensions

Adjusting spending in this way actually shows that retrenchment is even more pronounced than unadjusted data suggest. Only Belgium, Finland, Portugal, and Austria spent more on unemployment in 2008 than in 1980 and even in these countries cuts have taken place relative to the past maximum. The remaining 18 countries all spend less than in 1980. The most far-reaching changes have taken place in Denmark, Switzerland, and Sweden. The picture is similar for age-related spending. There are only two countries, Portugal and the United Kingdom, where the spending level reaches its maximum in 2008. Another eight countries still spend more at this point than in 1980, while they spent even more in between. In contrast, 14 countries have witnessed absolute retrenchment, as age-related expenditure in 2008 falls below the figures in 1980. The adjusted figures demonstrate that the seemingly expansionary dynamic in pensions seen above to a considerable extent reflects changes in the age composition of the population. In other words, it is predominantly need-driven.

To get a clearer picture of how welfare states are changing, we next look at changes in spending programs in relation to each other. The dashed line in Figure 5 is the ratio of unemployment spending to family spending. Between 1980 and the late 2000s, a considerable shift in spending priorities took place. For almost two decades, OECD countries spent more on the unemployed than on families. However, this pattern was reversed in the late 1990s, when spending on families began to exceed spending on the unemployed. A similar, though less pronounced shift took place in the ratio of income support for the working-age population to age-related spending. On average, the 22 countries have always spent more on the elderly than on the working-age population. However, during the past two decades spending has leaned even more heavily towards pensioners, as age-related social spending increased, while in particular spending on the unemployed decreased.

See appendix, Figure 6: Spending ratios, 1980–2008

Despite these common trends, welfare regimes still differ in their spending profiles. Castles (2008) and Kuitto (2011) demonstrate that different welfare states group along different spending patterns: the continental and southern European countries spend more on pensions, while the Nordic countries prioritize working-age cash benefits and other social services (Kuitto 2011). Thus, according to them, spending patterns across country groups resemble the well-known welfare state typology. However, their analyses focus on spending patterns at only one point in time (mid-2000s). This leads to the question of whether the *dynamics* of retrenchment also differ systematically across country groups. That is, whether there is, for instance, a systematic trade-off between cutting expenditure on the elderly and cutting expenditure on the working-age population. One might assume that countries prioritizing spending on the elderly are more willing to cut expenditure on the working-age population, and vice versa. For a first take on these changes, Figure 6 summarizes the spending profile of welfare regimes over time. Four points are worth noting. First, it comes as no surprise that, overall, the Scandinavian countries spend most and the Anglo-Saxon countries least. Southern and continental Europe fall in between. These two regimes become more similar in overall spending as the southern countries rapidly increase social expenditure. Second, and more interesting, if one ignores the expenditure for services, the Nordic countries during the 2000s actually spend less than continental and about the same as southern European countries. What is really different in Scandinavia is the modest spending on health and pensions, on one hand, and the unusually high spending on services. Even though all welfare regimes increase their expenditure on services, the large share of services sets the Nordic group apart from everyone else. In fact, if we only look at health and pensions, there are hardly any differences between the United States and Sweden. In contrast – and this is the third observation – continental and especially southern European countries spend heavily on the elderly. On average, Greece, Italy, Portugal, and Spain devote three-quarters of their total social expenditure to health and pensions, whereas the Scandinavian countries spend less than half on these purposes.¹² Finally, income support for the working-age population has stagnated or declined in all welfare regimes. More than other programs, social spending on the working-age population is aimed at reducing vertical inequalities. And indeed, Castles (2008; 2011) shows that only these social policy programs are negatively correlated with social inequality measures, such as the Gini index or pov-

erty indicators, whereas spending on health or the elderly does not reduce inequality.

See appendix, Figure 7: The changing composition of social expenditure in four welfare regimes

4 Conclusion

In this article, we have used disaggregated spending data to track welfare state changes over three decades. Without doubt, welfare states have changed considerably. While the 22 countries we have analyzed still spend heavily, they have nonetheless implemented deep cuts. In general, benefits in kind have become more important everywhere, whereas cash benefits have been lowered. Since many reforms are phased-in over extended periods of time, we can expect to see further changes. To date, retrenchment has been most severe for the working-age population but, as the weighted data demonstrate, spending on pensions has also fallen. Even if overall spending does not change dramatically, some programs are being cut heavily.

Taken together, our results strongly suggest that welfare states are less resilient than envisioned in the literature on “new politics” (Pierson 1996). In fact, the 1990s – when this debate began – seem to mark a turning point. Until then, only the speed of expansion decelerated but since then an actual trend reversal has taken place. Welfare states are no longer simply growing at a slower pace but shrinking. At the same time, social spending is directed less at curbing inequality and more oriented towards the elderly and services. As a consequence, the welfare state becomes less decommodifying and more supportive of markets. It provides services that allow formerly excluded groups – such as parents and, in particular, mothers – to enter the labor market more quickly but also becomes less tolerant of extended periods without paid work. Throughout the empirical section of the article we have noted that some of the most far-reaching changes have taken place in Sweden and other social democratic welfare states. While the Scandinavian countries have weathered the storm for a long time, they might no longer be able to do so. As a consequence, inequality has started to rise even there.

Lea Elsässer is a PhD student at the University of Osna-brück and currently a visiting researcher at the Max Planck Institute for the Study of Societies in Cologne. She holds a BA in International Economics and European Studies from the Eberhard Karls University Tübingen and an MA in Economics from the University of Cologne. Between 2013 and

2014, she has worked as a research assistant at the Max Planck Institute for the Study of Societies in the project "The Fiscal Crisis of the State in Contemporary Capitalism." The focus of her current research lies on the relationship between social inequality and political representation.

Inga Rademacher is a PhD student at the Max Planck Institute for the Study of Societies in Cologne, Germany. She holds a diploma degree in Political Science from the Johann Wolfgang Goethe University in Frankfurt. She completed her diploma thesis on the effects of the introduction of the Euro on national tax systems. She currently works on her PhD thesis which investigates neoliberal tax reforms in Germany and the United States since the 1980s with a special emphasis on the interaction of policymakers and voters.

Armin Schäfer is Professor of Comparative Political Economy at the University of Osnabrück. His research looks at the interplay of social inequality and democracy. He has published articles on European integration from a comparative capitalism perspective, the growing trend towards unequal political participation and democracy in times of austerity. In 2013, he co-edited with Wolfgang Streeck *Politics in the Age of Austerity* published with Polity Press. For more details see: www.armin-schaefer.de

Endnotes

1Other debates following from this have focused more narrowly on the politics of blame avoidance. Jensen et al. (2014), for example, examine how and when blame avoidance strategies are successful. Giger (2011); Giger/Nelson (2011) question the assumption that retrenchment politics is always and for all parties a politics of blame avoidance. They empirically assess the electoral costs of retrenchment activities for different parties.

2For a detailed discussion of the pros and cons of spending data in welfare state research, see for example (Starke 2008: Ch. 2; Siegel 2007).

3The two most important datasets on replacement rates are those compiled by Lyle Scruggs (Welfare State Entitlements Data Set, comprising 18 OECD countries) and Walter Korpi and Joakim Palme (Social Citizenship Indicator Program, SCIP). The net replacement rates display the net income replaced by major social insurance programs and are calculated on the basis of the wage of an "average production worker." Moreover, they are calculated for two "typical" recipient groups, namely a single worker and a "model family" consisting of a married average production worker with two children and a non-employed spouse.

4Interestingly, empirical studies which argue that partisan politics are still influential today mostly use benefit replacement rates data, whereas those which argue against it mainly use expenditure data (Green-Pedersen 2007: 15). This shows once more that the conceptualization and operationalization of the welfare state is crucial for the answers we arrive at with our analysis, underlining the importance of choosing indicators carefully.

5Kuitto (2011) carries out a similar analysis using ESSPROS data from Eurostat, adjusting them for social need. She shows that disaggregated welfare spending patterns reveal welfare state clusters very similar to the welfare regime types commonly used in the literature. According to her findings, "welfare states in Europe differ primarily with regard to the extent to which they invest either in income maintenance in old-age or in social services and cash transfers to working-age population" (Kuitto 2011: 361).

6Taken together, the categories "health" and "other services" comprise all public spending for benefits in kind (as opposed to cash benefits). The developments show that in general, spending on benefits in kind has become more important in contemporary welfare states.

7Age-related cash expenditure includes cash benefits for old age and for survivors (pensions). Income support for those of working age includes cash benefits in the following social policy areas: unemployment, family, incapacity-related benefits and "other social policy."

8France and Ireland could not be included in the figure, as for both countries data on unemployment cash transfers are available only from 1985 onwards. However, examining the period between 1985 and 2008 for these countries reveals that here, too, absolute retrenchment occurred.

9As already mentioned, income support for those of working age also includes incapacity-related benefits and benefits from the category "other social policy." However, spending on "other social policy" is rather small and thus not relevant at this point. Incapacity-related spending experienced similar retrenchment dynamics to spending on unemployment, but is not displayed in detail due to space constraints.

10We look only at unemployment and age-related spending as weighting is straightforward in these areas. In contrast, it is less obvious how to weight "other services," health spending or expenditure on the working-age population.

11As the unemployment rate is defined as the share of unemployed people in the labor force, this indicator is not the ratio of spending per unemployed to GDP per capita, but rather the ratio of spending per unemployed person to GDP per "labor force member."

12This observation is in line with Maurizio Ferrera's [The 'Southern Model of Welfare in Social Europe', 1996, in: *Journal of European Social Policy* 6(1), 17-37] argument about how the "Southern Model" differs from other regimes.

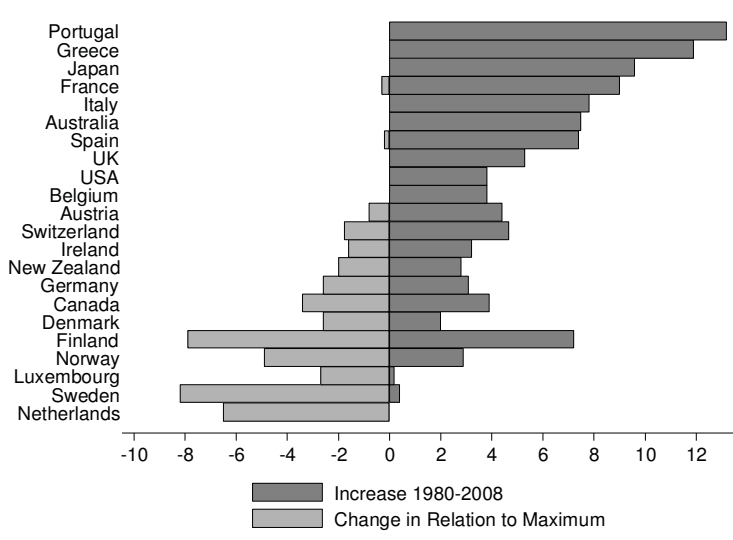
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Appendix

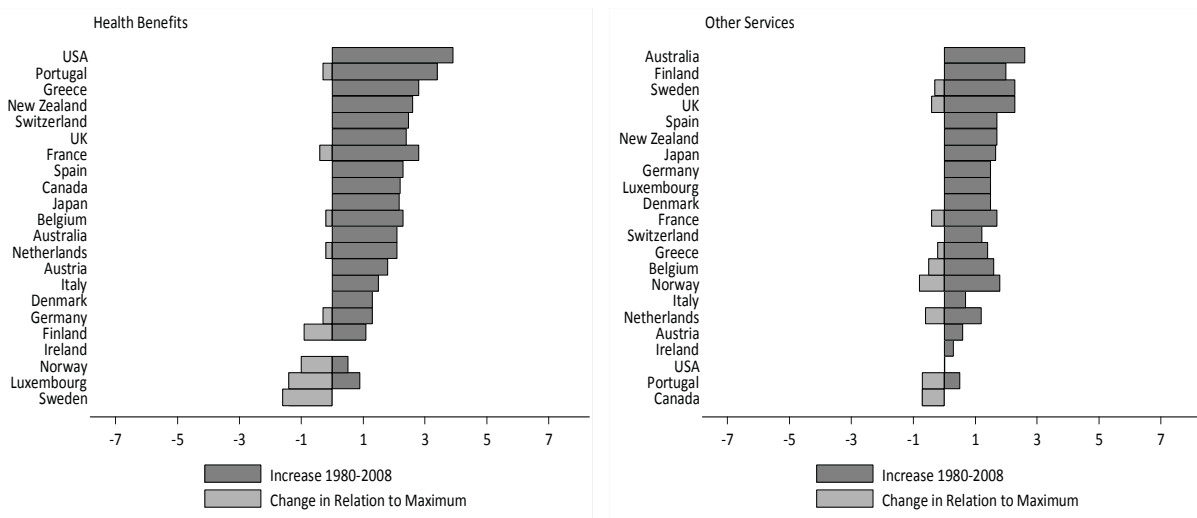
Figure 1: Changes in total social spending between 1980 and 2008



Note: The dark bars indicate the increase in total social spending between 1980 and 2008, measured in percentage points of GDP. The light bars indicate the change in spending from 2008 in relation to the maximum point, also measured in percentage points of GDP.

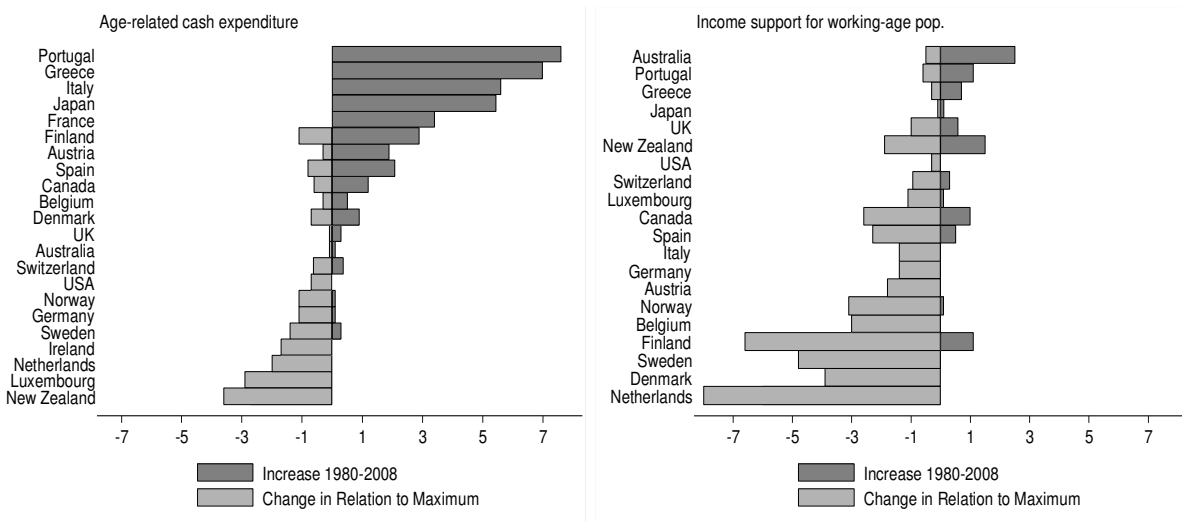
Source: OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 2: Changes in spending on health benefits and on other services between 1980 and 2008



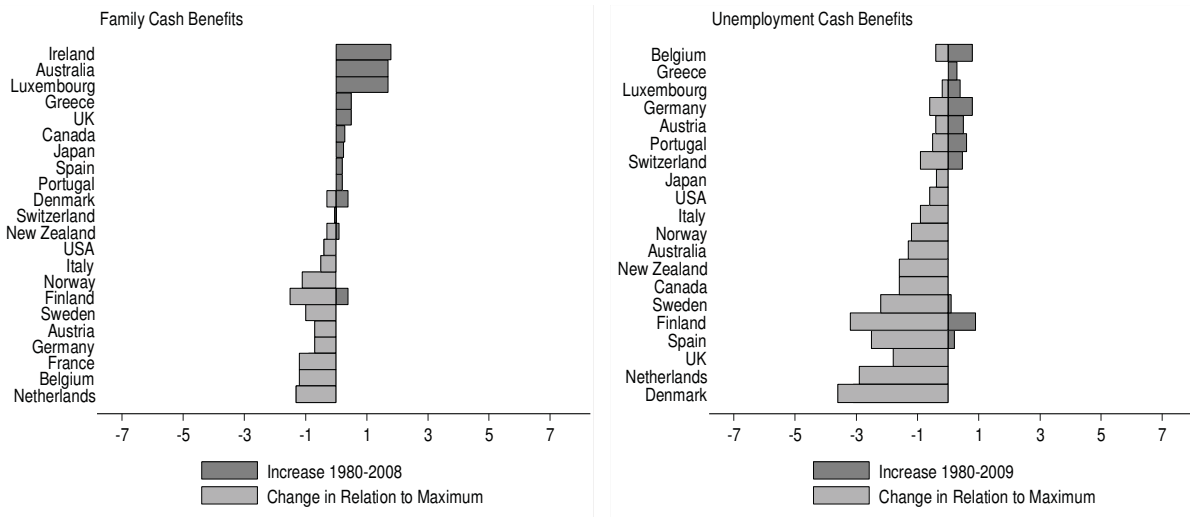
Source: OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 3: Changes in spending on the elderly and the working-age population



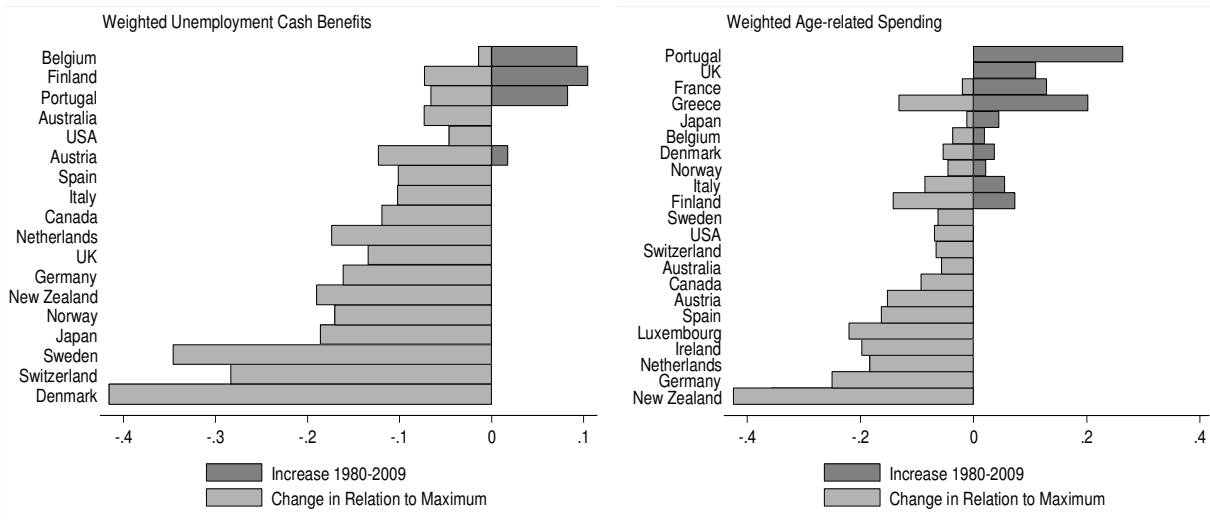
Source: OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 4: Spending on families and the unemployed



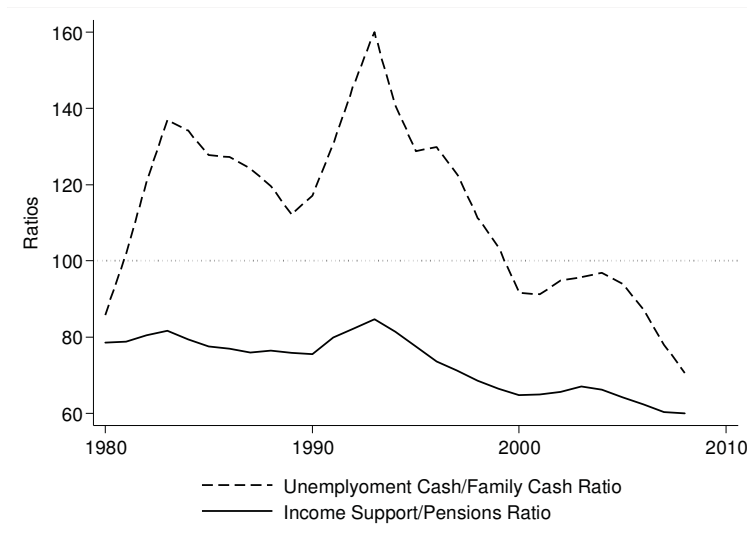
Source: OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 5: Weighted spending on unemployment and pensions



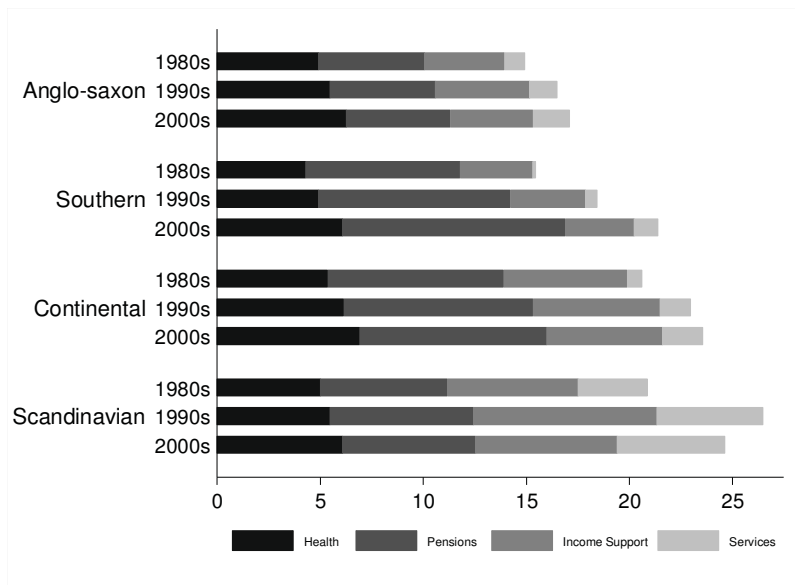
Source: OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 6: Spending ratios, 1980–2008



Source: OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)

Figure 7: The changing composition of social expenditure in four welfare regimes



Source: OECD Social Expenditure Database (SOCX). DOI: [10.1787/socx-data-en](https://doi.org/10.1787/socx-data-en)