Comparative Welfare Regimes Re-examined

Following Richard Titmuss’ (1958) pioneering contribution, there have been intense efforts devoted to welfare state classification. Typologies can be useful for at least three reasons. One, they allow for greater analytical parsimony and help us see the forest rather than myriad trees. Two, if we can cluster various species according to similar crucial attributes, the analyst can more easily identify some underlying connecting logic of movement and maybe even causality. And three, typologies are helpful tools for generating and testing hypotheses.

Typologies are problematic because parsimony is bought at the expense of nuance, but especially because they are inherently static. They provide a snapshot of the world at one point in time and do not easily capture mutations or the birth of new species. Any typology of welfare regimes therefore remains valid only as long as history stands still.

Welfare state classifications mirror a particular epoch, in most cases the status quo of the 1970s and 1980s. The ‘three worlds’ typology of regimes that underpinned my earlier work (Esping-Andersen, 1990) has been questioned on numerous grounds, and some provide compelling arguments for a major reconsideration. It was a typology too narrowly based on income-maintenance programmes, too focused on only the state-market nexus, and too one-dimensionally built around the standard male production worker.

There are primarily two avenues of criticism that merit attention. One questions the simple triad, arguing that we should distinguish additional models—a ‘fourth world’ so to speak. Another questions the basic criteria which were employed in the construction of the typology.

But before we proceed, there is one point of potential confusion that must be clarified. The bases for typology construction that I am here (as before) examining, are welfare regimes, not welfare states nor individual social policies. ‘Regimes’ refers to the ways in which welfare production is allocated between state, market, and households. Some confusion may arise because the word ‘regime’ is often applied to all kinds of phenomena: ‘poverty regimes’, ‘pension regimes’, or ‘male bread-winner regimes’, just to mention a few. Some criticisms of ‘the three worlds’ are, in a sense, irrelevant because they are not addressing welfare regimes but individual
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programmes. Leibfried's (1992) argument that there is a distinct Mediterranean regime because social assistance in Southern Europe is unique may be well-taken. But here Leibfried misses the mark because he is studying a qualitatively different phenomenon. A similar problem pervades some feminist contributions, at least in so far as they have redefined the dependent variable. It is unquestionably relevant to compare ‘breadwinner models’, and it goes without saying that this has direct relevance for welfare regime comparisons but, again, a welfare regime typology does not stand or fall solely on one social policy dimension; and, again, ‘breadwinner regimes’ and ‘welfare regimes’ are two distinct dependent variables.

THE THREE WORLDS OF WELFARE CAPITALISM RE-EXAMINED

The private-public mix was the principal analytical axis that underpinned the ‘three worlds’ typology; the key defining dimensions were degree of de-commodification and modes of stratification or, if you wish, solidarities (Esping-Andersen, 1990). The regime labels that represent this triad—liberal, conservative, and social democratic—derive from classical European political economy. They reflect the political and ideological thrust that was dominant in their historical evolution, climaxing with the mature welfare states in the 1970s and 1980s.

The typology, regardless of political origins, becomes static in the sense that it reflects the socio-economic conditions that prevailed then, namely an economy dominated by industrial mass production; a class structure in which the male, manual worker constituted the prototypical citizen; and a society in which the prototypical household was of the stable, one-earner kind. Below is a summary presentation of the three welfare regimes.¹

The Liberal Welfare Regime

Liberal social policy can trace its roots back to nineteenth-century English political economy, to its notions of ‘less eligibility’ and ‘self-help’. It harboured an unbounded faith in market sovereignty. Liberal welfare regimes in their contemporary form reflect a political commitment to minimize the

¹ Although the labels differ, the typology has considerable affinity to Titmuss' (1958) original distinction between residual, institutional, and ‘industrial achievement’ models. American readers should be warned that ‘liberal’ and ‘conservative’ are used throughout in their classical, European usage. Liberal therefore does not imply ‘leftist’, but rather a laissez-faire, neo-liberal view; conservative does not refer to ‘whatever is not liberal’, be it the Christian right or the Republican party, but to the European usage of the term.
state, to individualize risks, and to promote market solutions. As such, they disfavour citizens’ entitlements.

Liberal social policy prevails in countries where socialist or Christian democratic movements were weak or de facto absent. As Castles (1993) has pointed out, there is a peculiar clustering of the Anglo-Saxon nations around the liberal model. But, as he adds, it is important to distinguish between those societies, like Australia and Britain, where the labour movement played a significant role in social policy formation and those, like the United States, where its role was peripheral. In the former ‘lib-lab’ case, to use Castles’ terminology, the welfare state is more comprehensive and collectivist. Disregarding such variation for the moment, there are three core elements that characterize the liberal regime.

It is, firstly, residual in the sense that social guarantees are typically restricted to ‘bad risks’. It adopts a narrow definition of who should be eligible. Liberal social policy is therefore very much the child of nineteenth-century poor relief, favouring means or income tests so as to ascertain desert and need. Accordingly, the relative weight of needs-based social assistance compared to rights programmes should constitute an excellent indicator of ‘liberalism’. Indeed, international comparisons show that the Anglo-Saxon welfare states are extraordinarily biased towards targeted social assistance: Australia, New Zealand, the United States, and Canada in particular (Esping-Andersen, 1990, ch. 3). This is amply confirmed in later research (Gough et al., 1997, Table 2): it is either dominant or at least a major element of the total social protection package in Australia, Canada, Ireland, New Zealand, the UK, and the USA; as a percentage of total social expenditures, it now accounts for close to 100 per cent in Australia and New Zealand; about 40 per cent in Ireland and the United States; and 20–30 per cent in Canada and the UK. The closest non-liberal runner-up is Germany with 12 per cent.

Liberal policy is, secondly, residual in the sense that it adheres to a narrow conception of what risks should be considered ‘social’. The United States is extremely residual because of its lack of national health care, sickness and maternity benefits, family allowances, and parental leave provisions. To address market failure in these areas, the approach is targeted aid to ‘bad’ risks: Medicaid benefits to the poor and Medicare to the aged, AFDC to lone mothers, and tax credits to low-income child families. Yet, if there is a strong tradition of selectivity there are also creeping elements of comprehensiveness. This is no more evident than in the emerging popularity of some form of negative income tax, an approach originally

2 There are, to be sure, significant variations in how much targeting is built into social assistance programmes. As Castles (1996) and Myles (1996) show, the Canadian and Australian approach to targeting implies screening out the rich rather than, more narrowly, ‘screening in’ only the abject poor.
proposed by Milton Friedman and now being gradually extended in Australia, Canada, the UK, and the United States.

On one count, liberal and conservative policy are similarly residual, namely as regards family services. The reasons, however, are different. Liberals view servicing as a natural market activity, as an individual responsibility; conservatives insist that it be the prerogative of families.3

The third characteristic of liberalism is its encouragement of the market. Nowhere was this more pronounced than in America’s promotion of ‘welfare capitalism’ during the 1920s or in the Thatcher era in Britain. Indeed, it was not until the New Deal in the 1930s that the United States introduced the first national social security programmes. As noted, the residual approach cultivates dualisms: the good risks can be self-reliant in the market; the bad ones become ‘welfare dependents’. There are, of course, several ways of playing the market: individually (personal retirement accounts, life insurance, and the like), or collectively (group insurance or occupational welfare plans). What unites them both is that they generally benefit from substantial tax concessions.

Welfare regimes are quite polar in terms of the role of market provision: the ratio of private to public pensions is .5 in Australia, .7 in Canada, .4 in Japan, .3 in the United States, but in Continental Europe or in Scandinavia the ratio is of the order of 0.1 (or less).4 In health care, however, the picture is less clear. Several European nations appear quite private (20 per cent of total in Germany, 36 per cent in Austria) because much of health care is run by ‘third sector’, non-profit associations. And some ‘liberal’ regimes, like Canada and Britain, have universal national health insurance. Private health care dominates in the United States (57 per cent of total), but here again non-profit firms (like Blue Cross-Blue Shield) play a decisive role.

Private welfare plans have traditionally been more collective than individual in Australia, Britain, and the United States, to a large degree because of collective bargaining traditions (Esping-Andersen, 1990, Table 4.2). Declining union membership and coverage appears, however, to contribute to an erosion of occupational plans and to promote greater individualism. This is especially evident in the United States where coverage under occupational pension plans has declined from about 50 per cent in 1970 to less than a third today.5

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3 This was examined in Chapter 4.
4 Calculated from Esping-Andersen (1990, Table 4.3).
5 The Australian model of a ‘wage-earners welfare state’, as Castles (1993, 1996) calls it, may be considered a special case of market-biased welfare—indeed Castles insists that Australia (with Britain) be classified as a liberal-labour model. What underpins the seemingly prototypically residual, needs-tested Australian welfare state is a tradition of de facto job and high-pay guarantees to the male bread-winner. Hence, welfare guarantees have been implanted in the labour market.
If we define the liberal model in terms of the weight of residualism (few rights and modest levels of de-commodification) and of markets, there is clear evidence of nation clustering. The two attributes are highly correlated. The liberal welfare regime cluster is, furthermore, almost invariably Anglo-Saxon: the United States, Canada, Australia, Ireland, New Zealand, and the UK.\(^6\) If we take two key measures (means-tested assistance as a share of total social expenditure (early 1990s), and private pensions as a share of total pensions (1980s) and correlate them with a 'liberal' nation dummy, the association is strong and positive: +.68 for the assistance variable, and +.52 for the private pension variable. For both the social democratic and the conservative regimes, the correlations are negative (−.31 and −.41 for assistance; −.27 and −.29 for private pensions).\(^7\) This can be presented in terms of logistic odds-ratios, as in Table 5.1.

Table 5.1 shows that the liberal regime is fairly well predicted by these two features, while the two others are clearly not. It also suggests that the social assistance bias is a more distinctive feature than are private pensions.

<table>
<thead>
<tr>
<th></th>
<th>Liberal regime</th>
<th>Social democratic regime</th>
<th>Conservative regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social assistance as a percentage of total</td>
<td>1.185**</td>
<td>0.855</td>
<td>0.922</td>
</tr>
<tr>
<td>Private pensions as a percentage of all</td>
<td>1.188*</td>
<td>0.925</td>
<td>0.924</td>
</tr>
<tr>
<td>Pseudo-(R^2)</td>
<td>0.681</td>
<td>0.088</td>
<td>0.215</td>
</tr>
</tbody>
</table>

* Probability better than 0.05.
** Probability better than 0.01.

Sources: Esping-Andersen (1990, ch. 4) and Gough et al. (1997).

\(^6\) Britain is a particularly interesting case since, in the 1950s, it would have been difficult to distinguish it from the Scandinavian. Here is a clear-cut case of typologies being undone by historical change, an issue to be addressed below.

\(^7\) The social assistance data derive from Gough et al. (1997, Table 2), the private pension data from Esping-Andersen (1990, Table 4.3). The following nations are scored as 'liberal': Australia, Canada, Ireland, New Zealand, Switzerland, the UK, and the USA; social democratic include: Denmark, Finland, Norway, and Sweden; conservative, Austria, Belgium, France, Germany, Italy, Japan, the Netherlands. See below for a further elaboration.
The Social Democratic Welfare Regime

This regime is virtually synonymous with the Nordic countries. It is also an international latecomer. In Denmark, Norway, and Sweden, its cornerstones were laid with the advent of stable social democratic governance in the 1930s and 1940s; in Finland, twenty years later. Yet, cornerstones and mature form are not the same thing. There are good reasons why we should reserve the social democratic label for the period since the mid-1960s.

In fact, the historical roots of Nordic social policy were, with some minor exceptions, quite liberalistic (Kuhnle, 1981). The legacy, as in Britain, was nineteenth-century poor relief. This was gradually transformed into social assistance and then, from the 1940s through the 1960s, into modern entitlement programmes. None the less, universalism was embryonic in the Scandinavian welfare states already from early on. Denmark was a world pioneer when, in 1891, old age assistance (upon an income test) was extended to all aged. Sweden's 1913 pension insurance plan was, at least in spirit, meant to be universal.

Besides universalism, the social democratic welfare state is particularly committed to comprehensive risk coverage, generous benefit levels, and egalitarianism (Korpi, 1983; Esping-Andersen, 1990; Hicks et al., 1989; Stephens, 1996). Most studies also concur that this particular package of attributes is very much the political child of decades of strong, even hegemonic, social democratic rule.\(^8\)

That universalism is the cornerstone of social democratic risk pooling does not suffice to distinguish it as a unique regime. The social democratic 'peoples' pensions' or national health care are only marginally more universalistic than their post-war British or Dutch brethren. True, the Nordic countries have undoubtedly pushed the frontiers of universalism further than anywhere else. And, more importantly, rights are attached to individuals and are based on citizenship (whereas the British and Dutch pensions are contribution-based)—rather than on demonstrated need or on an employment relationship (Palme, 1990). And where the Nordic countries truly stand out in comparison to other tendentially universalistic systems (like the British) is their deliberate attempt to marginalize the role of needs-based assistance.

The social democratic regime is distinct also for its active and, in a sense, explicit effort to de-commodify welfare, to minimize or altogether abolish

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\(^8\) It is not difficult to trace the historical link between what social democratic leaders pursued in the name of socialist solidarity, and what eventually emerged, especially in Sweden. It is, however, possible that this historical 'correlation' is spurious in the sense that a culture of universalistic solidarities has its roots much further back in Scandinavian society (Baldwin, 1990; Esping-Andersen, 1992).
market dependency. While the UK (and also the Netherlands) has encouraged private welfare, especially in pensions and care services, the Nordic countries struggled deliberately to close off the market so as to maximize equality. When, in the 1950s, private occupational pensions began to mushroom so as to compensate for the rather meagre flat-rate public pensions, the Nordic countries (except Denmark) responded with a public second-tier system; Britain, in a similar situation, first vacillated and then eventually allowed the market to reign (Heclo, 1974; Pierson, 1994); the Netherlands encouraged company-based occupational pensions.

The closing off of private welfare is feasible only if benefits are adequate. There is no doubt that the Nordic social democracies boast very high income-replacement rates across the board. On various programme-specific or synthetic de-commodification indices, Sweden, Norway, and Denmark are the world’s three highest scorers (Finland scores somewhat above the mean) (Esping-Andersen, 1990, Tables 2.1 and 2.2). More recent comparisons come to a very similar result (Ploug and Kvist, 1994). Yet, generous income replacement is not a uniquely ‘social democratic’ attribute. In fact, the Dutch and Belgian de-commodification scores are hardly inferior to the Danish. And, as to pensions, the largesse of Scandinavia pales in comparison to Italian and Greek benefits (Commission of the European Communities, 1993).

The point is that if we limit our study of de-commodification to standard income transfer programmes, the great regime divide is not so much social democracy versus the rest, but rather that the liberal regime provides uniquely modest benefits compared to either of the two other regimes. What, then, is uniquely social democratic is, firstly, the fusion of universalism with generosity and, secondly, its comprehensive socialization of risks.

By the early 1970s, most (non-liberal) welfare states had arrived at a fairly similar level of comprehensiveness as far as cash benefit programmes are concerned. It is at this point, however, that the social democratic regime comes into its own by complementing standard income protection with social services and generous income support for working women. Led by Denmark and Sweden in the late 1960s, the Nordic welfare states became ‘servicing states’. On top of health services (where they hardly distinguish themselves from elsewhere) was built a huge and comprehensive infrastructure of services especially catering to family needs. As we saw in Chapter 4, care for children and the aged is especially privileged. The net outcome is that government employment now accounts for up to 30 per cent of the labour force, or more than double the OECD average.

The social democratic model and egalitarianism have become basically synonymous. To many, the egalitarian element is simply the practice of universalism: everybody enjoys the same rights and benefits, whether rich
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or poor. To others, it refers to the active promotion of well-being and life chances—perhaps no more evident than for women. Still others equate egalitarianism with redistribution and the elimination of poverty. As we shall see in subsequent chapters, they are all right.

Full employment has surely been a mainstay commitment in the social democratic model—but so it has elsewhere. What separates Scandinavia from most other nations is decreasingly low unemployment and, increasingly, maximum employment. As first Denmark, and now also Finland and Sweden, suffer from mass unemployment, the coincidence of full employment and social democracy appears shattered. This is, none the less, not as clear as it seems. For one, we should distinguish between actual performance and political commitment. As far as the latter is concerned, the coincidence remains. The Nordic countries’ expansion of public employment since the 1960s may have been guided by egalitarian concerns, but it certainly was also a means of promoting employment. Current Nordic unemployment may not differ much from, say, the German or French, but it occurs on the backdrop of an employment rate of 75–80 per cent rather than 50–60 per cent—principally because full female participation was realized. The employment commitment is equally evident in active labour market policies, both in terms of resources spent and number of persons covered under various training, retraining, or employment promotion programmes.

Scandinavian welfare and employment policy has always been couched in terms of ‘productivism’, that is of maximizing the productive potential of the citizenry. Superficially this seems like an echo of what Americans call ‘workfare’. In reality the two are different. Workfare in America implies that social benefits are conditional on accepting work whereas Nordic ‘productivism’ implies that the welfare state must guarantee that all people have the necessary resources and motivation to work (and that work is available).

The social democratic regime, then, is inevitably a state-dominated welfare nexus. But, the Nordic welfare states, and in particular the Swedish, are now experiencing hard times—to use Stephens et al.’s (1994) expression. For budgetary reasons, governments have reduced social benefits: lowering replacement rates, introducing waiting days for sickness benefits, shortening the duration of unemployment pay and, perhaps most ominously, introducing elements of targeting in the ‘peoples’ pensions’. While cuts at the margin hardly affect the essence of the social democratic regime, the implementation of an income test for pensions may do so since this implies a qualitative retreat from the principle of universalism: the notion of solidarity of risks is being rewritten.

Again, let us examine the validity of the regimes. Besides its strong accent on de-familialization (which will be examined below), two features
of the social democratic regime stand out: universalism and the marginalization of private welfare. In Table 5.2 I present odds-ratios for the three regime types with the universalism and private pension scores from Esping-Andersen (1990, Table 3.1).

**Table 5.2. Logistic regressions (odds-ratios) of universalism and private pensions and welfare regime types**

<table>
<thead>
<tr>
<th></th>
<th>Social democratic regime</th>
<th>Conservative regime</th>
<th>Liberal regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universalism</td>
<td>1.321*</td>
<td>0.988</td>
<td>0.938</td>
</tr>
<tr>
<td>Private pensions</td>
<td>0.731</td>
<td>0.926</td>
<td>1.185*</td>
</tr>
<tr>
<td>Pseudo-$R^2$</td>
<td>0.651</td>
<td>0.078</td>
<td>0.350</td>
</tr>
<tr>
<td>Chi-squared</td>
<td>12.41</td>
<td>1.88</td>
<td>8.43</td>
</tr>
</tbody>
</table>

* Probability = 0.1 or less. N = 18.

Source: Esping-Andersen (1990, Table 3.1).

Table 5.2 confirms more or less what we would expect. The odds that we will find universalism in the social democratic regime are comparably strong and significant. Vice versa, the odds of private welfare are low (however not significant) in the social democratic regime but, as we already have seen, positive and significant in the liberal. On these variables, the conservative regime is, simply, indistinct.

**The Conservative Welfare Regime**

Labelling the Continental European welfare states conservative may appear pejorative. The idea, however, is to signal the dominant political thrust behind their architecture. In most of Continental Europe, liberalism played a truly marginal role and, until after World War Two, the socialists typically found themselves excluded. Early social policy was often inspired by monarchical etatism (especially in Germany, Austria, and France), by traditional corporatism, or by Catholic social teachings. Leo XII’s Papal Encyclical *Rerum Novarum* (1891) had a tremendous influence in Catholic-dominated countries. Moreover, the passage from origins to post-war welfare capitalism has, in this group of countries, been guided primarily by Christian democratic or conservative coalitions (in some cases with a Fascist interregnum).

The essence of a conservative regime lies in its blend of status segmentation and familialism. Most Continental European countries emulated
Imperial Germany’s social insurance reforms and, like Bismarck, their original aims were far removed from any egalitarianism. The early social reformers were typically authoritarian (Rimlinger, 1971). In the post-war era, the imprint of social Catholicism and its doctrine of subsidiarity has been particularly strong in Southern Europe, the Netherlands and, to an extent, also in Belgium and Germany (van Kersbergen, 1995). French social policy has, in contrast, been guided primarily by a republican, anti-clerical spirit. France’s (and Belgium’s) membership in the conservative cluster is, as we shall discuss, problematic in that familialism is less dominant. Yet, both welfare systems display strong corporatist traits. There are several reasons why we might also include Japan in the conservative model. The powerful presence of Confucian teachings throughout Japanese social policy is a functional equivalent of Catholic familialism, and also Japanese social security is highly corporatist.9

The conservative imprint is most evident with regard to risk pooling (solidarity) and familialism. In both cases, the historical legacy was typically carried over in the making of the post-war welfare state. The etatist legacy remains strong in the privileged treatment of the public civil service, especially in Austria, Belgium, France, Germany, and Italy.10 The civil service benefits not only from having its own scheme but also from vastly more luxurious eligibility and benefit rules.

Also, despite some attempts to consolidate the myriad occupational schemes, corporatist status divisions continue to permeate social security systems. Of course, the accent differs between individual schemes and countries. Germany is a case of modest corporativism in pensions (the principal distinction is between blue- and white-collar workers), while health insurance is a labyrinth of 1,200 separate regional, occupational, or company-based funds. Italy, in contrast, has a unified health programme while pensions are divided into more than 120 occupational plans (Castellino, 1976). Both France and Belgium combine fragmented pension systems with a national health insurance that is divided along broad occupational classes. Among the Continental European countries, only the Netherlands deviates markedly from the corporatist mould. Public pensions are organized more or less around the Beveridge principle of universal flat-rate benefits, and other programmes, such as health, education, and services generally, were ‘pillared’, that is, split along denominational and non-denominational lines (van Kersbergen, 1995).

9 Japan deviates from this cluster only in terms of the large role of employer-provided occupational benefits.

10 Government employee pensions account for 30 per cent of the total in Austria; 35 per cent in Belgium; 27 per cent in France and Italy; and 21 per cent in Germany. This is, on average, two or three times as high as in Scandinavia or in the Anglo-Saxon countries (calculated from Esping-Andersen, 1990, Table 4.3).
The accent on compulsory social insurance, complemented with more or less ad hoc residual schemes for strata without a ‘normal’ employment relationship, has meant that purely private market provision of welfare remains marginal. Granted, a significant part of health care is, in some countries non-state but this is chiefly due to the role played by non-profit, ‘voluntary’ associations, frequently affiliated with the Church (such as Caritas). As to pensions or other welfare provisions, both individual and collective occupational plans are generally of marginal importance, in some countries basically non-existing. A notable exception is, again, the Netherlands where (mandated) company pension schemes play a non-trivial role in the labour market.\textsuperscript{11}

The third important attribute of conservatism is its familialism, especially in Southern Europe and Japan. As shown in Chapter 4, familialism is a composite of the male bread-winner bias of social protection and the centrality of the family as care-giver and ultimately responsible for its members’ welfare (the subsidiarity principle). What unites Austria, Germany, Italy, and Spain is the continued legal prescription that parents (or children) be responsible for their children (or parents) in case of need. Social assistance, for example, will not be granted even to adults if their parents can support them. Besides legal obligation, there is a systematic disinclination to provide care services, and the more familialistic the welfare state, the less generous are family benefits. Family transfers are often regarded as redundant given the practice of a family wage. But, since the model assumes the standard male bread-winner family, provision for ‘atypical’ households, such as lone mothers, tends to be residual.

There is, then, a modicum of residualism in the conservative model that seemingly parallels the liberal. Yet, its target is very different: liberal residualism means picking up bad risks left behind by market failure; conservative residualism, in contrast, is primarily a response to family failure. In both cases, none the less, the approach favours social assistance over rights, such as the German Sozialhilfe, the Italian and Spanish social pension, or even the French RMI.

Again for different reasons, both conservative and liberal social policies inherently favour a passive approach to employment management. The liberal model simply prioritizes unregulated labour markets; the conservative, strong job protection for already employed adult, male householders. Active employment or training policies tend to be marginal in both

\textsuperscript{11} Labour market pensions do play a role also in France, but their status should best be regarded as compulsory. Here Japan is of course deviant because so much of the entire welfare package is provided by employers within the context of lifetime employment. As in the USA, Japanese occupational welfare is mainly the privilege of core workers—about one-third of all. In the Japanese case, it is debatable whether this kind of private welfare conforms to market principles (Esping-Andersen, 1997a).
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cases; the management of unemployment in a liberal regime is ideally a question of market clearing and wage flexibility; in a conservative regime, either a question of family support (as in the case of youth or female unemployment) or of induced labour supply reduction (discouraging married women's careers and favouring early retirement).

Let us now repeat our 'regime tests', this time focusing on alleged conservative regime attributes: corporatism, etatism, and familialism. See Table 5.3.

Table 5.3. Logistic regressions (odds-ratios) of welfare regimes and corporatism, etatism, and welfare state de-familialization

<table>
<thead>
<tr>
<th></th>
<th>Conservative regime</th>
<th>Social democratic regime</th>
<th>Liberal regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporatism</td>
<td>4.18e + 17***</td>
<td></td>
<td>Corporatism and welfare state</td>
</tr>
<tr>
<td>Etatism</td>
<td>5.204</td>
<td></td>
<td>de-familialization</td>
</tr>
<tr>
<td>Welfare state de-</td>
<td>2.20e - 08***</td>
<td>Welfare state</td>
<td>welfare state de-familialization</td>
</tr>
<tr>
<td>familialization</td>
<td></td>
<td>perfectly predicted</td>
<td>perfectly predicted</td>
</tr>
</tbody>
</table>

Pseudo-R² 0.793
Chi-squared 19.07

*** Probability = 0.001 or more. N = 18.

Sources: Corporatism and etatism variables from Esping-Andersen (1990, Table 3.1). See fn. 19 for an explanation of welfare state de-familialism.

In comparison with our earlier estimations, the conservative regime is very distinctive. The odds of corporatism and familialism are powerful indeed. It does not, however, stand out as especially etatist. The uniqueness of the conservative regime comes out even stronger when we recognize that the social democratic welfare states are, without exception, uniquely de-familializing and that the liberal regimes all score low on corporatism.12

Based on the foregoing, we can outline the main attributes of the three regimes. See Table 5.4.

An alternative way to classify welfare regimes would be to pinpoint their dominant approach to managing social risks within labour markets, the state, and the family. As far as the labour market is concerned, we might simply distinguish between a regulatory and non-regulatory approach. For the state we could distinguish between residual, universal-

12 Here, as in earlier analyses, we should bear in mind the small sample size (18) which impairs estimation. Under such conditions, we should probably attach less importance to the size of the odds and more to the signs (positive or negative).
Table 5.4. *A summary overview of regime characteristics*

<table>
<thead>
<tr>
<th>Role of:</th>
<th>Liberal</th>
<th>Social democratic</th>
<th>Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family</td>
<td>Marginal</td>
<td>Marginal</td>
<td>Central</td>
</tr>
<tr>
<td>Market</td>
<td>Central</td>
<td>Marginal</td>
<td>Marginal</td>
</tr>
<tr>
<td>State</td>
<td>Marginal</td>
<td>Central</td>
<td>Subsidiary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Welfare state:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominant mode of solidarity</td>
<td>Individual</td>
<td>Universal</td>
</tr>
<tr>
<td>Dominant locus of solidarity</td>
<td>Market</td>
<td>State</td>
</tr>
<tr>
<td>Degree of decommodification</td>
<td>Minimal</td>
<td>Maximum</td>
</tr>
<tr>
<td>Modal Examples</td>
<td>USA</td>
<td>Sweden</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ist, and social insurance models. And with regard to the family, the vital difference is whether families are meant to be the primary locus of welfare (familialism) or not; i.e. whether welfare states grant the family social rights or not. Following this approach, we would arrive at the following schematic nation classification:13

A: LABOUR MARKET REGULATION
Little regulation: Australia, Canada, Denmark, New Zealand, Switzerland, the UK, and the United States.
Medium regulation: Japan, Ireland, the Netherlands, Finland, Norway, Sweden.
Strong regulation: France, Germany, Austria, Belgium, Italy, Portugal, and Spain.

B: WELFARE STATES
Residual: Australia, Canada, New Zealand, the United States (and, to a degree, the UK).

13 Reflecting the situation in the early 1990s. Thus, Australia scores as non-regulated in labour markets while, twenty years ago, Australia would have scored as highly regulated. Similarly, Britain twenty years ago would have been easy to classify as a universalist welfare state while today, considering the strong push towards income testing over the past decades, it has moved closer to the residual category. The scoring for labour market and family is based on the discussion in Chapters 3 and 4.
Varieties of Welfare Capitalism

Universalist: Denmark, Finland, Norway, Sweden, the Netherlands (and to a degree, the UK).
Social insurance: Austria, Belgium, France, Germany, Italy, Japan, and Spain.

C: FAMILIES
Familialist: Austria, Germany, Italy, Japan, the Netherlands, Portugal, Spain (and, less so, Belgium and France).
Non-familialist: Australia, Canada, Denmark, Finland, New Zealand, Norway, Sweden, the UK, and the United States.

We turn now to the question of whether a ‘three worlds’ typology remains robust and valid.

THE HISTORICAL AND COMPARATIVE ROBUSTNESS OF REGIME TYPOLOGIES

Since typologies refer to one time-point, we shall miss out on possibly decisive transmutations. And since they are, in a sense, ideal types there are bound to be ambiguous cases. Some critics have, for example, pointed out that the Netherlands and Britain, both in their own way, fit poorly in any of the three clusters.

It is also possible that the criteria employed to demarcate a regime may err: if alternative attributes were considered, the classification might break down or, at least, require additional regimes. For different reasons it has been argued that the Antipodes, East Asia, and Southern Europe all merit a ‘fourth world’. It has also been argued that the entire typology is problematic because it is built on the experience of the standard male breadwinner; it is not gender-sensitive.

Getting the welfare regime typology straight matters not just for the historical record but also for further analytical progress. At the core of a welfare regime study lurks the presupposition that institutional configuration matters for how risks are absorbed and distributed, for social stratification and solidarities, and also for the operation of labour markets. Hence, regimes should display some degree of congruence and commonality in how they adapt to massive social and economic change. This is a major issue of this book and we need, therefore, to establish just how robust is the working typology.

If there are ambiguous cases in a typology, the question is how much they matter. The goodness-of-fit of the three-way regime typology has been tested utilizing several methodological techniques, including cluster analysis, Boolean algebra, factor analysis, and more conventional correlational analysis (Kangas, 1994; Ragin, 1994; Shalev, 1996). While these
studies find that some countries fit more poorly than others (for different reasons, Belgium, France, Britain, and the Netherlands are frequently cited cases), there is also some support for the three clusters.

Britain is mainly a problem because the typology does not take into account mutation. Had we made our comparisons in the immediate post-war decades, we would almost certainly have put Britain and Scandinavia in the same cluster: both were built on universal, flat-rate benefit programmes, national health care, and a vocal political commitment to full employment. Moving ahead into the 1970s and beyond, the two clearly part ways: Britain failed to uphold its full-employment commitment and to supplement modest flat-rate benefits with a guarantee of adequate income replacement (Heclo, 1974; Martin, 1973). Failure to keep up promoted a gradual privatization that was, no doubt, accelerated by concerted de-regulation, more targeting, and privatization during the 1980s: sickness and maternity benefits were transferred to employers, council housing was sold off; the earnings-related pension (SERPS) was ‘privatized’ through opting-out, and both private pensions and health insurance have been nurtured via tax subsidies (Taylor-Gooby, 1996). In a contemporary comparison, then, Britain appears increasingly liberal. Britain is an example of regime-shifting or, perhaps, of stalled ‘social democratization’.

The original ‘three worlds’ typology focused rather one-sidedly on income maintenance. Herein lie perhaps the ambiguities of the Dutch case. When we study income maintenance, the Netherlands appears ‘social democratic’ in the sense of strong universalism, comprehensive coverage, and generous ‘de-commodifying’ benefits (van Kersbergen, 1995). But when we include social service delivery—and when, more generally, we examine the role of the family—the Netherlands becomes squarely a member of the ‘conservative’, Continental European fold. Like Britain, this would not have been immediately obvious in the 1950s because then, also the Nordic welfare states were service-lean and transfer-biased. It is in its sustained inattention to social services that the Netherlands emerges as a prototypical example of Catholic familialism (Bussemaker and van Kersbergen, 1994; van Kersbergen, 1995; Gustafsson, 1994). What is more, the generosity of Dutch income maintenance is chiefly the expression of a pervasive male bread-winner assumption.

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14 It is also telling that public residential care for the aged declined by 4 per cent, 1976–86, while private care grew by 363 per cent (Evers and Svetlik, 1991: 130).

15 The bulk of the data used to identify regimes in my Three Worlds referred to c.1980. The true liberal nature of Britain’s transformation only became fully visible later. It may be true that Britain and Sweden were rather alike in the 1950s, but this does not imply that Britain was then ‘social democratic’. What I define as the essence of social democratic welfare regimes emerged in Scandinavia later.
The Dutch enigma, then, highlights the need to reconsider, once again, what must be compared and measured. Income-transfer programmes capture but one side of the welfare state. The real essence of the social democratic (or the conservative) welfare states lies not so much in their de-commodifying income-maintenance guarantees as in their approach to services and sponsoring women's careers. In any case, the Netherlands remains a Janus-headed welfare regime, combining both social democratic and conservative attributes.

The point here, as in other cases, is that we must weigh the relative importance of different, possibly conflicting attributes. No regime, let alone country, is pure. The United States epitomizes liberalism and, yet, the Social Security pension scheme has broad coverage and benefits that approach adequacy levels. Does this push the United States out of the liberal fold? No, because even if one programme deviates from the 'ideal type', the over-dominating character of the entire welfare package remains 'liberal'. Or consider Denmark which, like Britain, failed to implement a universal, second-tier pension system. Does this imply that Denmark, with Britain, is a failed social democratic model? On this count, again the answer is no. The benefits in the Danish 'peoples' pension', unlike the British, were systematically upgraded so as to uphold their universalistic appeal; and on virtually any other criteria, the Danish welfare state is prototypically 'social democratic'.

There will always be slippery or ambiguous cases, and one programme does not define a regime. The real problem is how to deal with systematic deviants. The issue here is whether a three-way typology adequately exhausts the variance. If there are cases that follow a wholly different underlying logic, we would have to construct yet another, separate ideal-type—a fourth 'world of welfare capitalism'.

Three-plus Regimes?

There are in particular three cases that arguably call for an additional, fourth 'world': the Antipodes (Castles and Mitchell, 1993), the Mediterranean (Leibfried, 1992; Lessenich, 1995; Ferrera, 1996), and Japan (Jones, 1993; Rose and Shiratori, 1986). Assuming the validity of all three claims, we will find ourselves with a total of six models for a total of 18–20 nations. The desired explanatory parsimony would be sacrificed, and we might as well return to individual comparisons.

16 Two very recent reforms may, however, very well push Denmark towards a more liberal fold. One, the peoples' pension has lost some of its 'rights' character with the introduction of an income test in 1996; two, legislation has just been passed to build a private (collectively negotiated) second-tier earnings-related labour market pension.
The Antipodean Fourth World

Castles and Mitchell (1993) and Castles (1996) argue persuasively in favour of a fourth, Australian or Antipodean, welfare regime (what they term the ‘wage-earners’ welfare state’). At first glance, Australia’s and New Zealand’s rather modest and targeted welfare state benefits conform to the residual, liberal model. All income maintenance schemes are now premised on an income test, but ‘Medicare’ in Australia is essentially a rights programme. While needs-tested benefits are generally much lower than equivalent insurance benefits in other countries, they are also more ‘needs-sensitive’ than elsewhere. Thus, assistance benefits to child families are double those to single persons (Castles, 1996: 109). Moreover, the income ceiling for eligibility (in Australia, but less so in New Zealand) is drawn at middle incomes, not at a poverty line: assistance is more inclusive. Pensions are said to cover two-thirds of the aged; family benefits reach most middle-class families.17

The point that Castles and Mitchell make is that we err by focusing solely on state activity because in Australia (and once also New Zealand), strong and functionally equivalent welfare guarantees were implanted in the labour market via the wage arbitration system. What seems like an extreme case of a liberal, means-tested system when studying only state welfare is, in reality, something essentially social democratic with its emphasis on egalitarianism and wage-earner rights.

If valid, the argument is theoretically fundamental because it compels us to reconsider markets. In Australia, as the argument goes, the labour market is a welfare producer. Hence, it may be a fallacy to simply equate markets and liberalism. There is no doubt that the wage arbitration system in Australia implanted strong and egalitarian guarantees, at least as far as the male bread-winner was concerned. There was little need for a welfare state because male full employment was de facto ‘full’, because earnings differences were highly compressed, and because the employment relationship furnished general welfare guarantees, such as homeownership and adequate pension income.

However, as Castles (1996) himself points out, these very same guarantees inevitably eroded when, during the 1980s, the Australian economy was liberalized; they were effectively eliminated in New Zealand. With unemployment rates hovering at 10 per cent, and with heightened wage inequalities, the ‘wage-earners’ welfare state’ in the market is, almost by definition, being dismantled.

17 For a period, old-age pensions became universal rights benefits, but are now again income-tested. For a general, comparative presentation of the Australian system, see also Saunders (1994).
It is possible that the Antipodean model provided a package of welfare guarantees that was essentially ‘social democratic’ in the 1960s and 1970s. Like Britain, however, the passage of time is pushing Australia—and certainly New Zealand—towards what appears as prototypical liberalism: minimal state and maximum market allocation of risks, and the market side of the coin appears increasingly genuinely market.

The Mediterranean Fourth World

It has been argued that the Mediterranean countries should be considered distinct from Continental Europe (Leibfried, 1992; Ferrera, 1996; Lessenich, 1995; and Castles, 1996). Ferrera’s point has mainly to do with distributive practice—the pervasive use of social benefits, especially in Italy, for purposes of political clientelism. Invalid pensions and public jobs are notorious ways in which the Christian Democrats (but also socialists) maintained their grip on the electorate. A perverted use of welfare programmes and public bureaucracies may define the character of a polity, but it is difficult to see how it defines a welfare regime unless the entire system was from the very beginning specifically designed for the purpose of clientelism rather than social protection. Such an argument would be very hard to sustain.

Leibfried’s (1992) call for a distinct Mediterranean regime is, as previously discussed, limited to one programme—social assistance. But even if social assistance practice is distinct, this hardly merits a distinct regime type. It would be a different matter if such deviance forms part and parcel of a broader complex of attributes. Does it? To an extent yes, because the extremely residual nature of Southern Europe’s social assistance is but one face of its strong familialism. Unlike elsewhere, social assistance was never upgraded because of two assumptions: it is assumed (and legally prescribed) that families are the relevant locus of social aid; and it is assumed that families normally do not ‘fail’. The acid test of a distinct Mediterranean model depends therefore on the issue of familialism, to which we shall return shortly.

The East Asian Fourth World

Japan, possibly with Korea and Taiwan, poses a particularly intriguing challenge to welfare regime typologies because it is such a unique version of capitalism to begin with: sustained full employment, highly regulated internal labour markets and industrial structure, compressed earnings, and a relatively egalitarian distribution of income, all overlaid by rather authoritarian employment practices, a conservative ‘one-party’ democracy, and ‘corporatism without labour’ (Pempel, 1989).18

18 The following treatment is based on Esping-Andersen (1997a).
If we confine our examination to Japan, one aspect is immediately obvious: it blends vital regime attributes in a way which makes it either unique or hybrid. This, indeed, is the fundamental issue to be resolved. State welfare combines liberal residualism with conservative corporatism. Social insurance is, like in Europe, status-segmented along broad occupational lines. In part due to lack of system maturation (at least as far as pensions are concerned), insurance benefits are quite modest and attached with prohibitive eligibility criteria—this is especially the case in unemployment insurance. Levels of de-commodification are modest indeed.

The modesty of benefits reflects a certain in-built residualism. State benefits assume that the core (male) labour force will have private benefits via the employment relationship, but also ample family support. The former undoubtedly holds for the roughly one-third employees in the large corporate sector—but much less so for the rest of the labour force. Employer occupational welfare includes not merely standard health and pension coverage, but also a vast array of services from sports clubs to funeral services. And herein lies one important source of inequalities, not so much according to class or occupation, but because access and generosity depends on educational level and, of course, on whether one is employed by a large corporation or not. Japan's social assistance system is yet another example of liberalism: strictly means-tested and highly targeted as well as stigmatizing. The take-up rate is extremely low (below 30 per cent).

The welfare state, then, fuses conservative and liberal elements which is hardly surprising when we recall that the insurance component was inspired by German practice, and that assistance schemes were designed by the American occupation forces in the aftermath of World War Two. However, if we examine more closely the welfare market it would appear somewhat less than 'liberal'. Occupational welfare forms part of the consensual mode of labour regulation, but it also mirrors a conservative, paternalistic practice. It is none the less arguable that the market 'works': it provides (until now) a genuine employment guarantee and, for many, welfare benefits. The rather undeveloped and residual public welfare commitments could—like once in Australia—be ascribed to the fact that needs and risks are contained because the labour market functions so well.

In fact, several scholars maintain that Japan is an extremely highly developed 'welfare society' and that a large welfare state is therefore less pressing (Vogel, 1980). The state is not needed because the market and the family are sufficient. There is little doubt as to the importance of families in the overall Japanese welfare mix. Public social services, be it to the aged or children, are truly marginal because it is institutionally assumed that the family must carry the real responsibility. Thus, even today 65 per cent of the aged live with, and are cared for by their children—that is, the wife of the oldest son. The Confucian tradition of familial piety and loyalty
has, like the Catholic subsidiarity principle in Europe, been the overpow-er- ing force behind Japanese welfare policy (Jones, 1993).

There is clearly nothing uniquely Japanese in any of these elements. It appears therefore a hybrid case. Yet, it is precisely this particular combi-nation of hybrid attributes that, some say, warrants a distinct regime label. True, Japan does manifest a mix of liberal and conservative traits and, unlike other ‘mixed cases’, they appear to form an internationally rather peculiar combination. Yet, the liberal side of the equation is less liberal than appearances suggest. There are also trends that point towards a strengthening of the conservative attributes. The corporatist social insurance system is now rapidly maturing and will, in the coming decades, domi-nate the pension mix. This, together with Japan’s unusually accentuated familialism, makes a strong case for assigning Japan squarely to the con-servative regime.

In brief, it is inescapably true that Japan, like Australia and Southern Europe, manifests features that are not easily compatible with a simple trichotomy of welfare regimes. Yet, we must also ask ourselves what would be gained from adding a fourth, fifth, or sixth regime cluster? We would probably benefit from greater refinement, more nuance, and more preci-sion. Still, if we also value analytical parsimony, neither Japan nor the Antipodes warrant additional regimes. The peculiarities of these cases are variations within a distinct overall logic, not the foundations of a wholly different logic per se. The case for a unique Southern Europe regime depends ultimately on the centrality of families. This was the weak link in the original ‘three worlds’ model and therefore deserves special attention.

Families and Welfare Regimes

To what extent, then, does more systematic attention to the family alter our political economy of welfare regimes? Does it call for a fourth regime or even a radical rethinking of what constitutes a welfare regime in the first place?

Those who follow a more explicitly gender-based analysis often arrive at typologies that are at odds with the ‘three worlds’ model (for an overview, see O’Connor, 1996). A similar lack of fit emerges from some studies of the ‘family benefit package’ (Bradshaw and Ditch, 1995).

From the evidence presented in Chapter 4, there is much to be said for an additional Southern European regime (with Japan). Of course, in the final analysis it all comes down to the choice of indicators and measure-ment. The weight of the evidence in Chapter 4 addressed families (and not gender per se) and their role in welfare production (rather than family ben-effits provided by the welfare state). In fact, previous work on caring and servicing sometimes squares with the ‘three worlds’ typology (Kolberg
Comparative Welfare Regimes Re-examined

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and Uusitalo, 1992; Gustafsson, 1995), and sometimes not (Anttonen and Sipila, 1996; and Gornick et al., 1997). Both Anttonen and Sipila, and Gornick et al. show that France and Belgium break ranks with the conservative regime, but only in this particular area.

Let us conduct a simple test of whether the conservative regime should be subdivided, whether a fourth ‘Mediterranean’ regime is warranted. If Southern Europe (Italy, Portugal, and Spain) together with Japan are qualitatively distinct from the remaining Continental European countries, this should show up on two dimensions of familialism: on welfare state policies towards families (welfare state de-familialization), and on the welfare burdens assumed by families themselves. Table 5.5 presents relative odds-ratios from multinomial logit regressions. The ‘outcome’ (dependent variables) to be predicted is ‘high levels of welfare state servicing to families’ (column 1) and ‘high levels of intra-family caring burdens’ (column 2). Each separate regime estimation includes a measure of women’s employment rate (an indicator of underlying need for de-familialization, so to speak).

The prediction in column 1 is the degree to which welfare states furnish services to families; in column 2 whether traditional family behaviour prevails (share of aged living with their children combined with the ‘male bread-winner bias’ variable). The evidence does not suggest any great

Table 5.5. Multinomial logit regressions. The relative odds of high levels of welfare state family support and of low levels of family-caring burdens by welfare regime and women’s employment levels

<table>
<thead>
<tr>
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<th>Outcome: high levels of welfare state servicing to families</th>
<th>Outcome: high levels of family welfare burdens</th>
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<tbody>
<tr>
<td>Southern Europe and Japan</td>
<td>5.86e – 19***</td>
<td>1.52e + 16***</td>
</tr>
<tr>
<td>Women’s employment rate</td>
<td>0.91</td>
<td>0.43*</td>
</tr>
<tr>
<td>Chi-squared</td>
<td>23.04</td>
<td>20.44</td>
</tr>
<tr>
<td>Continental Europe minus Italy</td>
<td>Perfectly predicted</td>
<td>2.96e + 13***</td>
</tr>
<tr>
<td>Portugal, and Spain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women’s employment rate</td>
<td>5.34e – 17***</td>
<td>0.34*</td>
</tr>
<tr>
<td>Chi-squared</td>
<td>42.05</td>
<td>18.24</td>
</tr>
</tbody>
</table>

* Probability = 0.10 or better.
*** Probability = 0.001 or better.
N = 18.
See n. 19 for an explanation of variable measures.

19 The welfare state de-familialism, and the household familialism variables have been recoded so as to develop synthetic indicators: Service spending has been coded 0 (if spending is
difference between our ‘Mediterranean’ subregime and the remainder of Continental Europe. The signs and relative odds are quite similar. In brief, the case for a fourth, uniquely familialistic, world of welfare capitalism is not very convincing when, as in this analysis, we focus on high levels of de-familialization. The difference does, however, become more accentuated when we relax our criteria. The correlations between regime type and various measures of familialism differ somewhat more between the two regime subdivisions when we measure familialism as continuous rather than categorical variables (as was done in Chapter 4). None the less, the signs of the correlations remain identical for the two subregimes.

CONCLUSION

The comparisons undertaken in this chapter are certainly not the last word on the subject. The question of how to identify and classify welfare regimes will remain open because, as noted, researchers differ in terms of what attributes they consider vital and of how to measure them. The results presented here suggest that, as far as my choice of attributes and measurements is concerned, a simple ‘three worlds’ typology may suffice for most of the purposes that this book pursues. The final judgement is not yet in, and we shall in fact see that the distinctiveness of the Southern European countries does make its mark on issues such as postindustrial employment adaptation. It is to this that we now turn.

Bivariate correlations (not shown) indicate that the Southern European regime is considerably more familialistic than Continental Europe without the ‘South’, and this shows up also on consequences, such as women’s employment levels.