

Pressures on State Welfare in Post-industrial Societies: Is More or Less Better?

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Abstract

Although contemporary comparative welfare state research has advanced our knowledge of how welfare states respond to exogenous and endogenous pressures, the nature and implications of these pressures themselves on post-industrial societies remains somewhat unknown. In the research literature phenomena such as globalization, Europeanization, demographics, individualization and changing labour markets are often claimed to put considerable pressure on welfare states. We analyse which of the alleged pressures are real “crises” or “challenges” to welfare states and which pressures should only be considered as “controversies”—phenomena whose impacts are non-significant, ambiguous, or have not been asserted. We suggest that pressures on post-industrial societies may not, as is commonly believed, be countered with retrenchment and restructuring of welfare states. In fact, some pressures seem to call for more rather than less welfare state.

Keywords

Post-industrial; State welfare; Internal and external pressures

Introduction

The work of Esping-Andersen (1990) on the *Three Worlds of Welfare Capitalism* marks a turning point in comparative welfare state research. Drawing on the insights of earlier research, Esping-Andersen distinguishes the historical development of three distinct configurations of state welfare that are by now classic starting points for welfare state scholars: the Social Democratic, the Conservative and the Liberal welfare state regimes. By doing so he discards the tendency of earlier research to view the welfare state and its historical development as a universal and a one-dimensional phenomenon. Acknowledging the existence of different types of welfare states provided a new locus of interest for the importance of welfare state diversity.

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This work spurred a fast-growing and by now extensive body of research that has scrutinized the diversity of contemporary welfare states, the structural and social pressures associated with different welfare state regimes, as well as the policies aimed at reforming welfare states (e.g. Esping-Andersen 1996; Kitschelt *et al.* 1999; Ferrera and Rhodes 2000; Kuhnle 2000; Kautto *et al.* 2001). The thrust of this research in recent years has been on the impact of economic and social pressures in different welfare state regimes, and in particular on investigating how pressures are “filtered” by regimes into distinct policy responses. Comparative welfare state research has tended to become the business of political scientists with the prime focus on the meso-level: political institutions, power configurations, and policy processes.

In much of this literature, pressures on contemporary post-industrial societies supposedly fuel demands and needs for welfare state reforms that imply a curtailment of state welfare (Mishra 1999; Gilbert 2002). Scholars emphasizing the diversity of welfare states have introduced the concept of welfare state “restructuring” (adaptation, adjustment, etc.) to grasp the fact that welfare reform is multifaceted and entails more than retrenchment (Bonoli *et al.* 2000; Pierson 2001a). For example, Pierson (2001b) suggests that policy reform in the three welfare state regimes takes place along three general strategies of *cost containment*, *re-commodification*, and *recalibration*. Consequently, welfare state reforms may be just as much about restructuring as about retrenchment.

While this research provides important insights into the diversity and reform paths of welfare states, a number of issues have yet to be adequately addressed. We argue that too little attention has been paid to the societal pressures themselves that may or may not facilitate welfare reform. Today it is commonplace to argue that the welfare state is somehow adapting to economic, political and social pressures in post-industrial societies. These perceived pressures stem from globalization and Europeanization, ageing populations, changing labour markets and family structures, just to mention a few of the usual suspects.

In the following sections we challenge the dominant view that the welfare state is reacting to a set number of societal pressures. Weighing the evidence on needs and possibilities for welfare state reform through a critical literature review, we make a twofold argument. First, we argue that some of the perceived pressures have little, if any, impact on the welfare state. To the extent that these do influence welfare state reform, such pressures tend, on the whole, to call for more rather than less state welfare. This is not least because social needs with respect to e.g. labour markets and families have become much more diverse in post-industrial societies compared with the traditional, industrial era. Second, we point out that most of the contemporary pressures on post-industrial societies do not relate to welfare states *per se*, but rather to post-industrial societies more specifically. Consequently, the conceptual notions that pressures are tied specifically to the welfare state institution, which are often found in contemporary research, should be widened to include a society-centred perspective.

In the first section we outline the conceptual frame of reference. Which theoretical concepts of “pressures” have been used in the literature and which ones should we use to capture the diversity of contemporary welfare

state pressures? In the following sections we discuss the perceived pressures on post-industrial societies as these are found to influence current welfare state reforms.

The Short History of Welfare State Pressures

The concepts of the pressures that face welfare states have changed in content over the past four decades or so, but the idea that welfare states are continually encountering some specific kind of pressure is by no means new to comparative welfare state research (cf. Alber 1988; Esping-Andersen 1999; Jæger and Kvist 2000). The notion of “pressure” is used in this context as the theoretical term for denoting the objective forces that strain the welfare state. It includes the whole range of economic, political, and social forces both endogenous and exogenous to welfare states that have been identified in the literature. Table 1 presents the four most important theoretical concepts of welfare-state pressures evident from the literature since the 1960s.

In the 1960s and early 1970s writers like Philip Cutright, Frederick Pryor and Harold Wilensky saw the emergence of the welfare state as essentially a functional response to the new social problems that emerged with industrialism, urbanization, demographic alterations in the populations, and the maturing of the capitalist economy (Wilensky and Lebeaux 1958; Cutright 1965; Pryor 1968; Wilensky 1975). These pressures were seen as being curbed by the growing welfare states in tandem with high economic growth.

By the early 1970s economic recession and a resurgence of (neo-)Marxist (O’Connor 1973; Gough 1979; Offe 1984) and (neo-)liberal thinking (Kristol 1971; King 1975; Hayek 1994) prompted a much more pessimistic interpretation of both the pressures faced by welfare states and their possibilities of handling these pressures. Welfare states were now deemed to be in states of crisis for a number of reasons, notably because of the conflicting aims of wanting at the same time to generate tax revenues and to uphold popular support. The consequences of the crises also manifested themselves in fiscal instability, political uncontrollability, and diminishing social solidarity in the family and in the institutions of civil society. The pressures were thus viewed mostly as vested in macro-economic conditions. It was widely believed that the external pressures following the economic recessions of the 1970s would “trigger” the structural problems inherent in the Western welfare states and that these would change radically.

From the early 1990s perceptions of pressures on welfare state development changed from their being viewed as jointly endogenous and exogenous to mostly exogenous “challenges”, and the question of welfare state retrenchment and restructuring as responses to exogenous pressures has since dominated the literature (Pierson 1994; Clayton and Pontusson 1998; Scarbrough 2000; Millar 2002). At the same time the effects of economic and political internationalization on states’ capacities for securing and controlling their fiscal bases and political sovereignty came to be a focus of research (Katzenstein 1985; Schwartz 2001). Economic and political pressures, often in the form of economic globalization and political integration within the EU, were now treated as independent variables affecting welfare states’ possibilities of

Table 1

Four concepts of welfare state pressures

Concept	Adaptation	Crisis	Challenge	Controversy
Time period	1960s/1970s	1970s/1980s	Mid-1990s	Late 1990s–
Societal context	Industrial society	(Post-)Industrial society	Post-industrial society	Post-industrial society
Notion of pressure	Exogenous objective pressures of industrialism	Pressures are symptoms of structural contradictions/deficiencies in welfare states	Pressures pose calling for political action	Objective implications of pressure contested
Policy impact	Gradual reform/adaptation	Radical systemic reform imminent/required	Gradual adaptation, retrenchment/restructuring	Status quo—irrelevant, expansion
Welfare state context	Emerging/expanding	Consolidating/mature	Mature	Mature
Proposed response pattern	More state welfare	Radically less state welfare	Less and/or more efficient state welfare	Mostly more state welfare

reform and systemic restructuring (e.g. Bonoli *et al.* 2000; Taylor-Gooby 2001; Pierson 2001a).

Over the last 40 years, the nature and scope of pressures on welfare states have thus been conceptualized quite differently. Interestingly, the question of whether these pressures are empirically observable, and to what degree they might pertain to welfare societies more generally rather than welfare states *per se*, has not been investigated much since the welfare state itself was the primary object of study. An underlying causal assumption in the literature on welfare state pressures is that policy reform is a virtually automatic response.

However, recent research has demonstrated that, even in the light of persistent problems of low economic growth and high unemployment during the past decades, the many European welfare states have in fact been remarkably resilient to profound retrenchment and that state welfare in some areas is even expanding. What is more, countries least exposed to “permanent austerity” (Pierson 2001b) have expanded state welfare; that is “change without challenge” (Goul Andersen 2002). Such findings challenge the causal assumption found in earlier research, and we need to reconsider which pressures on welfare states are more important than others. As a consequence, in this review article we introduce the concept of “controversy” in addition to the familiar vocabulary of “crisis” and “challenge”. This concept is used when we judge that the impact of some of the alleged pressures found in the research literature has not, when reconsidered critically, been substantiated. This is, for example, our judgement in the case of the effects of globalization on welfare states. Thus, when reviewing the literature we use the notion of “controversy” in cases, first, when the specific pressure is contested theoretically, and second, when empirical consequences of pressures are ambiguous or have not been found to be of significance to welfare states. This is also the case when evidence suggests that pressures pertain to post-industrial societies rather than welfare states as such.

In the remainder of the paper we review the contemporary pressures on welfare states that have been proposed in the research literature using this analytical distinction of crises, challenges and controversies. First, the exogenous pressures of globalization and Europeanization are discussed. Second, we turn to the mainly endogenous pressures of demographic developments, changes in post-industrial labour markets, and finally the question of the persisting popularity of public welfare programmes.

External Pressures: Globalization, Europeanization and Migration

Two particular pressures that are deemed as exogenous to national welfare states and which have drawn considerable attention in recent years are those of globalization and Europeanization. Globalization is often portrayed as a multifaceted phenomenon affecting welfare states in many and diverse ways. In particular, economic globalization is highlighted in relation to social policy. The basic thrust in most of the economic globalization literature is that, as competition and deregulation in financial and capital markets have grown rapidly in the postwar period, and since national economies have increasingly

become dependent on exports in internationalized markets, states have effectively both lost control over their means of revenue and rendered fiscal policy instruments ineffective (Cosh *et al.* 1992; Mishra 1999). As a consequence, economic globalization has triggered a “race to the bottom” of social spending in that national welfare states, in their efforts to attract capital and cultivate markets for foreign investments, have been forced to restrain or cut back on public spending. The result of this competitive adaptation on an international scale is that welfare states enter a vicious circle of outbidding each other in terms of stimulating favourable business climates, through such policies as tax exemption or reduction, lax job protection, low environmental standards, and infrastructural advantages, creating an international trend of what is often referred to as “downward harmonization” of social protection (Martin and Schumann 1997; Greider 1997; Crotty 2000).

While pessimistic interpretations of the impact of economic globalization on welfare states are clearly dominant, alternative scenarios do exist (see Bowles and Wagman 1997; Burgoon 2001). Some writers suggest that economic globalization and welfare state policies need not be in tension, not least because increased trade openness and economic vulnerability tends to foster demand for welfare compensation (Garrett and Lange 1991; Swank 1998). Yet others claim that the correlates of economic globalization (increased capital mobility, trade openness and deregulation of financial markets) have no significant impact on welfare states at all (e.g. Lipsey *et al.* 1995; Cline 1997). The main argument put forward in this literature is that the vast majority of all trade and economic activity still takes place within geographically close regions, and notably the USA, Western Europe, and Japan. Additionally, while financial and trade markets have surely been internationalized, so has the control and regulation of these markets through powerful international organizations and institutions (e.g. the WTO, the IMF, the EU, and NAFTA) (see Rieger and Leibfried 1998, 2001). As such, there need not be any direct causal link between economic globalization and welfare state policies.

The arguments developed in the studies of the impact of economic globalization on the welfare state remain tenuous for a number of important reasons. Firstly, a commonly accepted theoretical definition of the concept of economic globalization has yet to be developed. Different studies use different definitions of globalization which are often exceedingly abstract and sometimes mutually exclusive (Burgoon 2001; Carroll 2002). As a consequence there is little or no comparability between studies and thus no accumulative knowledge of the effects of globalization on the welfare state. Second, there is a lack of a consistent body of empirical studies of the impact of globalization on welfare state efforts (e.g. Rhodes 1996; Schwartz 2001). Early empirical studies like Cameron (1978) and more recent studies by Rodrik (1997), Garrett (1998), and Garrett and Mitchell (2001), among others, find no conclusive support for the “downward harmonization” thesis in the OECD area. Rather, while empirical studies do not find unambiguous evidence for the (either positive or negative) effects of economic globalization,¹ much evidence seems to indicate that developments within national states themselves (especially in labour markets and in demographic structures) or in technology exert far more important pressures on welfare states

(e.g. Lipsey *et al.* 1995; Iversen and Cusack 2001). As such, the notion that there is a direct causal link between economic globalization and welfare state development remains contentious (Schwartz 2001). Arguably, as is highlighted by Pierson (2001a) and Scharpf and Schmidt (2000), the growing internationalization and deregulation of economies on the whole tends to reduce the number of effective policy instruments available to governments to control their political economies. This trend is well documented in comparative welfare state research, and it is much less controversial than the assumption of causal logic found in the globalization literature. Consequently, despite the popularity of the concept during the 1990s, we deem economic globalization as no more than a “controversy” with respect to its impacts on the welfare state.

Does Europe Matter?

Political concern about the impact of the EU on national welfare states is reflected in a growing literature. The interplay between the national welfare states and the supranational level in the EU is scrutinized in studies looking at the development of European integration in social policies as well as studies looking at the impact of European integration on national welfare states, the so-called Europeanization studies.

Accounts of how Europeanization and European integration affect national welfare states underline both intentional as well as unintentional aspects of this process. According to neo-functional integration theory intentional efforts and spillover effects at the supranational level will result in harmonization of national policies. The Amsterdam Treaty of 1997 made employment among the prime objectives of the EU and also prohibits discrimination based on gender and ethnicity, just as the Social Charter was incorporated in the Treaty itself (for the preceding development see Mosley 1990 and Leibfried 2000). This fact has resulted in three so-called European strategies for, respectively, employment, inclusion, and old age pensions, and more strategies are in the making. The strategies are backed up institutionally and financially by various funds, most notably the European Social Fund, and procedures such as setting up partnership projects and the drawing up, evaluation and monitoring of national action plans. At the same time, however, these strategies are based on the open method of coordination: member states agree on common objectives, but are free to choose how to meet them, and there are no legal or economic forms of sanctioning in case of non-compliance.

When it comes to hard law only about ten directives directly affect social policy. The maternity directive (92/85/EEC) stipulates a maternity leave of a minimum of 14 weeks, and the parental leave directive (96/34/EEC) ensures a parental leave of three months and the right to absence from work in case of serious illness or injury within the family. Eight directives prohibit discrimination on grounds of gender, ethnicity, age and disability in relation to both employment and various aspects of social policy. These directives aim to secure, for example, the equal treatment of men and women.

This lack of a fully-fledged European social policy fits well with findings in other studies of European integration since the middle of the 1980s. These

studies tend to treat the EU as an international regime institutionalizing forms of collective action among nation states (for a critical review see Pierson 1996). Intergovernmentalists insist that member states are preoccupied with maintaining their sovereignty, and that the creation of supranational institutions only takes place when these are instruments for lowering transaction costs, allowing for collective action and diminishing problems of information. Consequently, member states will only give increased power to the EU “in so far as it strengthens, rather than weakens, their control over domestic affairs” (Moravcik 1993: 507).

Other authors maintain that indirect spillover effects may be transmitted from one policy area to another. This is not least due to pressures towards greater similarities in economic and fiscal policies, institutional arrangements and levels of provision in the EU member states (Streeck 1996; Hagen 1999; Leibfried and Pierson 2000). Nevertheless, a certain degree of schizophrenia can be detected as the same authors also note that the very existence of different institutions, whether polity systems or policy programmes, render the creation of European social policies unlikely (e.g. Pierson 1996). For example, the different welfare regimes in Europe are likely to hamper the development of a uniform welfare model, as is also evident from recent empirical studies (Scharpf 1997; Kautto and Kvist 2002).

Moreover, Europeanization of welfare states may also come about as a by-product of the general political and economic integration of public policies in the EU (Finnemore and Sikkink 1998). Economic and social pressures—perceived or real—from the establishment of the EU with free movement of goods, services, capital and labour may also be of significance. In fact, perhaps the most disputed EU threats to national welfare states concern social dumping and social tourism. The social dumping argument is a regional version of the globalization thesis that states that companies speculate in national labour market standards with regard to taxes, wages and job legislation, and that governments in response lower standards in order to retain or attract capital and companies (Alber and Standing 2000; Guillén and Matsaganis 2000).

There is nothing “social” nor “touristic” about the argument of social tourism which says that EU nationals from countries with poor social benefits migrate to countries with better and accessible social benefits. Currently, the coming enlargement of the EU fuels fear that such migration may come from the Eastern parts of Europe. Recent studies find that it is particularly labour markets in border regions in Austria and Germany that are most likely to be affected (for an overview, see Commission of the European Communities 2001). Estimates of the scope of migration from new to old EU members after 10 to 15 years varies between 700,000 and 2.7 million persons and, after the accession of Bulgaria and Romania, between 1.4 and 4.2 million. Despite such disagreement, coming intra-community migration from the East to the West of Europe cannot match the increased demand for labour caused by ageing populations (see Fuchs and Thon 1999 for Germany). Hence, increased intra-community migration of workers does not constitute an insurance against ageing populations in the West, but rather some threat of brain drain from the East. In this respect improved social policies may help to retain workers in coming member states (see Kovacs 2000).

While there are few signs of direct impact on social policies, the stability pact of the Economic and Monetary Union (EMU) may hinder member states from pursuing other policies. The convergence criteria damp down possibilities of leading an expansive fiscal policy even in times of sluggish economic growth and growing unemployment, as currently witnessed in France and Germany. In other words, the combination of EMU convergence criteria and the relatively modest existence of EU social policies make the pressures on national welfare states from Europe controversial.

In sum, during the 1990s reference to “external pressures” from the European context began to supplement established criticism against welfare state arrangements based on internal pressures (see Esping-Andersen 1999; Jæger and Kvist 2000; Kersbergen 2000). However, the bulk of empirical cross-national studies conclude that European integration has not progressed far in the traditional areas of the welfare state and that claims of a Europeanization of welfare policies are difficult to sustain (Kuhnle 2000; Scharpf and Schmidt 2000; Taylor-Gooby 2001; Kautto *et al.* 2001; Kvist 2002). The notion of European social policy or a European welfare state is very small and fragmented, and national welfare states undertake by far the most tasks of the welfare state. Europeanization thus has yet to manifest itself as a challenge to the Western European welfare states.

Ageing Populations

Ageing of the population is perhaps the biggest and least contested component of the demographic challenges. The baby boom generation of the Second World War retires within the next 5–17 years, and since they did not reproduce themselves to establish a stable population growth, the share of the working-age population will decline at the same time as the share of the elderly rises. Both the EU 15 and the 10 accession states on average will experience an increase of 8 percentage points in the population share of the elderly from 2000 to 2025 (Kvist 2002). Obviously, this puts pressure on national governments to maximize the number of potential workers.

In some countries low rates of female labour market participation have meant that efforts are made to increase the share of women on the labour market just as the EU has set a target of a female employment–population rate at 60 per cent by 2010 (see table 2). In general this calls for more rather than less state welfare in terms of child and elder care services that help women to establish a better balance between work and family life. Such a professionalization of care services, however, may be challenged by a shortage of labour. For example, in the countries that already have comprehensive public social services like the Nordic ones, where the welfare state is an important employer for women (Hernes 1987; Kolberg 1991), national studies predict that around one in four of current female students must become nurses and social workers if current levels of provision are to be kept in the future.

Shorter Working Life

The challenge of the ageing population has to be seen in the light of a tendency across countries and socio-economic groups to make a later entry

Table 2

EU employment–population targets and rates according to country, gender and age, 2001

	Population aged 15 to 65 years			Population aged 55 to 65 years
	Total	Men	Women	Total
EU targets for 2010	70.0	—	60.0	50.0
EU 15 average	63.9	73.0	54.9	38.5
Current EU member states				
Denmark	76.2	80.2	72.0	58.0
Finland	68.1	70.9	65.4	45.9
Sweden	71.7	73.0	70.4	66.5
Netherlands	74.1	82.8	65.2	39.6
Belgium	59.9	69.1	50.5	24.1
Luxembourg	62.9	74.8	50.9	24.4
France	63.1	70.3	56.1	31.0
Germany	65.8	72.6	58.8	37.7
Austria	68.4	76.7	60.1	28.6
Italy	54.8	68.5	41.1	28.0
Spain	56.3	70.9	41.9	38.9
Portugal	68.9	76.9	61.1	45.7
Greece	55.4	70.8	40.9	38.0
Ireland	65.7	76.4	55.0	46.8
UK	71.7	78.3	65.1	52.3
Coming EU member states				
Estonia	61.1	65.6	56.9	48.6
Latvia	58.9	61.9	56.1	36.4
Lithuania	58.6	59.8	57.4	39.1
Poland	53.8	59.2	48.4	30.5
Hungary	56.3	63.3	49.6	23.7
Czech Republic	65.0	73.2	57.0	36.9
Slovakia	56.7	61.8	51.8	22.5
Slovenia	63.6	68.6	58.6	23.4
Bulgaria	50.7	53.6	47.9	23.9
Romania	63.3	68.6	58.6	50.5

Source: Eurostat (2002).

into, and an earlier exit from the labour market, as well as greater longevity in European countries. In total, this means that fewer working people in the future will have to support more people outside the labour market (OECD 2000).

When people retire later they pay taxes for longer and draw benefits for a shorter period. This helps explain why the EU has set a target of an employment–population rate of 50 per cent for people aged 55 to 65 years. Table 2 shows that less than a handful of the 25 countries meet this target.

The elder part of the working-age population have generally low participation rates in all countries irrespective of welfare regime. Whether a shorter working life calls for more or less state welfare is controversial. On the one hand, it may require government to make unpopular decisions to reduce early exit. This would be seen as retrenchment by most scholars, and definitely by the persons concerned. On the other hand, such retrenchment may not alone help increase labour supply among the elder part of the working-age population. More state welfare measures may also be needed, for example, to combat age-based discrimination and provide employers and the “elderly” with greater incentives and possibilities.

Ethnic Minorities

In many European countries, the—in most cases increasing—share of ethnic minorities in the population is often viewed as a problem. From a sociological perspective it may, for example, be a topic for discussion whether increasingly diverse populations are able to share the core values and norms that create the normative foundation of the welfare state. If not, social cohesion in the welfare state may be problematic. However, with regard to demographically induced redistribution challenges related to the ageing of populations discussed above, the ethnic minorities constitute a possibility for securing the economic sustainability of the welfare state rather than a threat. This is because of the age profile of ethnic minorities that is generally somewhat younger than the majority of natives. Coupled with lower labour market participation among many ethnic minority groups, this may provide a potential for increased labour supply in so far as ethnic minorities obtain jobs in the formal economy. Hence, from a demographic and economic point of view, increased shares of ethnic minorities are not a threat but rather a possibility for the securing of the financial basis of the welfare state. Welfare reforms aimed at increasing labour market participation among ethnic minorities could thus be a means of alleviating part of the demographic challenge.

In sum, low fertility among the post-Second World War generation is the main reason why welfare states are currently facing an ageing of the population. This puts pressure on the welfare state due to an expected increase in outlays, but, most importantly, a decrease of revenue to finance welfare schemes. The pressure is exacerbated by the tendency of older segments of able-bodied people in the labour market to retire earlier, and, probably to a lesser degree, by increased longevity. To the extent that it is possible to increase the effective retirement age as well as the labour market participation of women and growing population shares of ethnic minorities, such demographic challenges may be met in part. However, for this to succeed more, rather than less, public welfare and policy is likely to be required.

Individualization

The need for welfare state reform is also sparked by an increased individualization in society (e.g. Giddens 1991). The traditional family pattern of a male breadwinner is being replaced with a diversity of family forms, including

a greater share of single-parent and two-breadwinner households (Lewis 2001). To the extent that such families are able to balance family responsibilities with participation in the labour market, social policies may be accommodated to facilitate these new family configurations. Balancing work and family life is thus seen as an increasingly important issue confronting the welfare state on both the EU and national political agendas. In particular policies supporting the traditional family in Continental and Southern Europe are seen as constituting disincentives for female labour market participation and fertility (see Esping-Andersen 2002). The counter position in Scandinavia of encompassing and subsidized care services for children and the elderly may not only be an incentive for fertility and female labour market participation, but also come at the price of gender-segregated labour markets and penalties on women's wages (e.g. Gupta *et al.* 2001).

In general, the diversification of individual life courses, de-standardization of career and labour market participation patterns is most likely to call for more flexible social policy arrangements. In many respects welfare states have so far catered for the norms of the "traditional" social risks associated with the nuclear families in industrialized society. Such social protection is provided primarily by income transfers in events like unemployment, sickness, old age, death (for survivors), and disability, schemes that often assume couples are in stable marriages (e.g. Arber *et al.* 2001). Married couples also still tend to have advantageous protection compared to cohabiting couples with respect to, for example, taxes, parental custody, and inheritance rules. In short, women and emerging family types are often discriminated against.

Importantly, care services are also to a large extent provided by the unwaged labour of women. Child and elder care as well as active social and labour market measures are just some of the policies called for in order to, respectively, better reconcile work and family life and improve the employment prospects of, especially, vulnerable groups in the labour market.

Given the growing share of singles, atypical families and a future shortage of labour, the need to "individualize" social security and increase the service side of the welfare state has grown significantly. Consequently, a substantial challenge to contemporary welfare states lies in modernizing existing welfare arrangements to accommodate the social needs arising from individualization of life courses and de-standardization of families in post-industrial societies.

The Popularity of the Welfare State

During the 1960s and 1970s most welfare-state scholars claimed that the welfare states of Western Europe were suffering from an almost universal lack of legitimacy, and, as a consequence, they were facing a crisis of legitimacy (O'Connor 1973; Gough 1979). The "conventional" wisdom that public support for the welfare state was dangerously low persisted until the mid-1980s, when newly founded cross-national surveys documented otherwise.² Comparative studies have since then demonstrated quite unambiguously that the general level of support for most aspects of public welfare provision

is very high in all Western European countries (see also Papadakis and Bean 1993; Taylor-Gooby 1995). Additionally, the high level of support has been found to be relatively constant (at least) since the mid-1980s, and, interestingly, positive attitudes do not differ systematically between different welfare state regimes (Svallfors 1997; Bean and Papadakis 1998). Finally, studies show that the biggest differences in attitudes towards the welfare state are not to be found between different countries, but rather within countries themselves. Most importantly, individuals' political preferences and a range of socio-economic characteristics are the main determinants of positive or negative attitudes (e.g. Papadakis 1993; Svallfors 1996).

Recent empirical findings have turned the legitimacy debate of the 1970s on its head. The decisive question today is not what the consequences of lacking public support mean for the sustainability of the welfare state, but rather which challenge its persisting popularity poses for the future of welfare. Neo-institutional theory within political science holds that the popularity of the welfare state is attributed to a self-reinforcing property in that, as increasing shares of the population have become recipients or providers of some form of welfare benefit or service, then these people will react against attempts at curtailing already-gained social rights. Consequently, the risk of electoral damage tends to make political actors and parties refrain from radical cuts and maintain the political status quo (Pierson 1994).

Still, the fact that significant reforms have actually taken place during the 1990s in the European welfare states begs additional explanations. One strand of theory argues that the opinion patterns of executive and political elites are different from, and typically more pro-reformist than, those of the general public (Sihvo and Uusitalo 1995; Blomberg and Kroll 1999). As a consequence, the propensity for carrying through policy change has increased. Furthermore, contextual factors such as the social construction of economic recession in the public sphere may ease voters' acceptance of cutbacks in dire times (Cox 2001). This means that opposition to retrenchment or restructuring of the welfare state may become easier, but by no means easy. Consequently, weighing "push" and "pull" factors we find that the popularity of state welfare in the general public constitutes an important challenge to contemporary welfare states. Political developments over the past few decades show that reforming welfare states to meet new social demands in post-industrial societies is a difficult undertaking because existing welfare state programmes maintain their popularity over time. Thus, the political task of keeping the welfare state in line with changing needs by reforming or abolishing existing or creating new welfare programmes is also likely to be a prominent challenge in the future.

Conclusion

We find that the notion of "crisis" used by some scholars as an all-encompassing condition that threatens the foundations of the welfare states has no empirical justification and should be abandoned. Current pressures on post-industrial societies are not potentially cataclysmic to welfare states. Rather we find that pressures differ in nature and in impact: challenges call for some

policy response, whereas the impact of controversies remains an empirical question. Indeed, it is often difficult *a priori* to establish a direct causal link from pressures on post-industrial societies to welfare reform. Most contemporary pressures are often controversies in that their potential impact is long-term and relatively uncertain.

The review also shows that the impact of the alleged exogenous challenges of globalization and Europeanization on welfare states has yet to be demonstrated and must be considered as controversial. Globalization remains little more than a “buzz”-concept, mainly because its existence and impact on welfare states has not so far been established convincingly in the literature. European integration may in the longer run affect national welfare states, but not in the short- or medium-term perspective. National institutions and interests tend to prevail over the diffusion of ideas and the establishment of supranational institutions.

National endogenous pressures seem more important and less ambiguous. Demographic change is one of the most significant challenges common to the European countries. Low fertility and the increasing share of elderly in the population pose a significant challenge to economic sustainability. Furthermore, the relative decline in the working-aged population forces governments to seek new ways to increase employment, not least among the oldest segments of the labour force, women, ethnic minorities and groups on the margins of the labour market. In many of these instances extensions of welfare programmes and labour market policies, rather than curtailments, may be an appropriate solution, especially provision of childcare services, family benefits, and active labour market programmes. Activating labour “reservoirs” may be an important counterbalance to demographic and labour market challenges.

The welfare state must also handle the increasing individualization of career and family patterns in post-industrial societies. These developments, especially in the long-term perspective, are likely to exert pressures for more flexible and customized social security programmes, both with respect to transfer incomes and social services. A final endogenous challenge consists in reforming welfare programmes with entrenched popularity.

On the theoretical level, this review suggests that mature welfare states face a partly new set of challenges in post-industrial societies compared to the “traditional” problems associated with the industrial era. New diversities and social risks have emerged, and the evidence presented suggests that these new challenges should not necessarily be met with curtailment but rather with expansion of welfare programmes. Moreover, pressures on post-industrial societies not only create a need for welfare reform, but also give rise to possibilities for welfare reform. For example, increased labour shortages make it possible to direct resources away from compensation in the form of different types of benefits for the unemployed to a greater emphasis on preventive measures, also to groups that in times of high unemployment may have been neglected (for example in the current wave of European disability pension reforms). In short, the content of pressures and their relationship to welfare reform need further examination. Much of societal change seems to call for more rather than less state welfare; new types of welfare states may be needed in a post-industrial society.

Notes

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1. Empirically, economic globalization is usually operationalized by e.g. the total volume of international trade, proportion of foreign direct investment relative to GDP, degree of financial openness, and low wage imports.
2. Especially important comparative data sets are the International Social Survey Programme (ISSP), The European Values Survey (EVS) and the Eurobarometer surveys. Beginning in 2003, the new European Social Survey (ESS) will continue this trend (see: <http://www.europeansocialsurvey.org>).

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