

Welfare state entry and exit over the life course

Employment and the sustainability of the welfare state in different worlds of welfare

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Introduction

The concept of “sustainability deficit”, or fiscal gap as it is sometimes called, pertains to the ability of a welfare state to maintain its current social policy programmes, spending levels, tax and other policies for decades to come (European Commission 2009; 2012). If we look at the sustainability deficit from a life cycle perspective, the role of employment becomes essential for combatting the deficit (Lee & Mason 2011). High employment rates have been a cornerstone of the renowned Scandinavian welfare state model.

One of the most influential books in the field of welfare state studies is *The Three Worlds of Welfare Capitalism*¹ by Gøsta Esping-

¹ The book has been extremely influential, and according to Google Scholar, it has more than 36,000 citations. There also is a huge number of critical views on the book. The very existence of the three worlds has been questioned (e.g.

Andersen (1990) who argued that the social policy systems and employment patterns clustered countries in a way that made it possible to talk about three worlds of welfare capitalism: liberal, conservative and social-democratic welfare states. Esping-Andersen launched a concept of decommodification that soon became the buzzword in all welfare state studies. The concept pertains to the degree that national social policy solutions can give people freedom from commodifying capitalist markets. Consequently, he argued that employment and stratification follow regime-specific patterns.

Following Esping-Andersen's idea, we ask how the configurations of employment among the advanced industrial nations are interlinked with the welfare state regimes. The focus is on the entry and exit patterns on the labour market where the state, family and market intersect and interact. The process is intimately related to the silent revolutions (Esping-Andersen 1999, 2009; Esping-Andersen, Gallie, Hemerijk & Myers 2002) in post-industrial labour markets where female labour market participation, service employment and new entry/exit patterns challenge the prevailing welfare regimes. However, we introduce some additional welfare state regimes. We classify countries into Nordic, Western Central European, Anglo-Saxon, Southern (Mediterranean) and Eastern European welfare states. Furthermore, we analyse the gender-dimension in social policy, employment and social stratification in particular.

We first give a short summary of the databases used. We start our analyses by looking at transitions from school to work to see how different regimes manage to facilitate that transition. Then follows a longer section where the labour market participation patterns of mothers are examined. The last empirical section looks at the exit

Castles 1993; Castles et al. 2012), the book has been criticised from the feministic perspective (e.g. Daly & Lewis 2000; Lewis 1992; Orloff 1993) and totally new worlds of welfare have been added (e.g. Ferrera 1996; Gough & Wood 2004; Van Kersbergen 1995).

patterns of the older component of the labour force and stratification risks associated with that phase in the life cycle. In the final section, we discuss our findings in more general terms.

Data

In the 1980s, there was very little systematic data available about the Southern European countries, Asia and Latin America, not to speak about the former socialist hemisphere. This is now changing. Consequently, the number of identified welfare regimes has increased (see e.g. Castles, Leibfried, Lewis, & Obinger 2012; Scruggs, Jahn & Kuitto 2014). In addition to macro-level data, Eurostat provides individual-level micro data (the European Union Statistics on Income and Living Conditions—longitudinal micro-data EU SILC) (Eurostat 2013). The flipside is that the extensive EU-data excludes non-European countries.

In the following, we have, when permitted by the data, expanded the number of worlds of welfare to five welfare regimes (e.g. Castles et al. 2012): Nordic (consisting of Denmark, Finland, Norway and Sweden); Continental European (Austria, Belgium, Germany, France, the Netherlands and Switzerland); Anglo-liberal (Ireland and the UK; in some graphs we also depict the Australian (AUS) and the United States (US) developmental patterns); Southern European (Greece, Italy, Portugal and Spain); and Post-Socialist (the Czech Republic, Estonia, Hungary, the Slovak Republic and Slovenia). Depending on the availability of data, the number of countries in each regime may vary. We first use a wide variety of countries and thereafter we move to use OECD aggregate level data and the EU-SILC. Regimes are here used as a heuristic device for descriptive purposes to more easily group countries and make comparisons.

From education to employment

There are substantial variations in national educational systems, and these differences have important ramifications for the school-leaving age and for the forms and duration of the school-to-work transitions (Brzinsky-Fay 2011; 2014; European Societies 2014). Figure 1 depicts employment rates for males and females who have taken their exams one and five years ago, respectively. When it comes to those who graduated a year ago, the gender gap is negligible. It is only in Southern European countries where there is a visible gender divide. Employment rates in the other countries are relatively gender neutral,

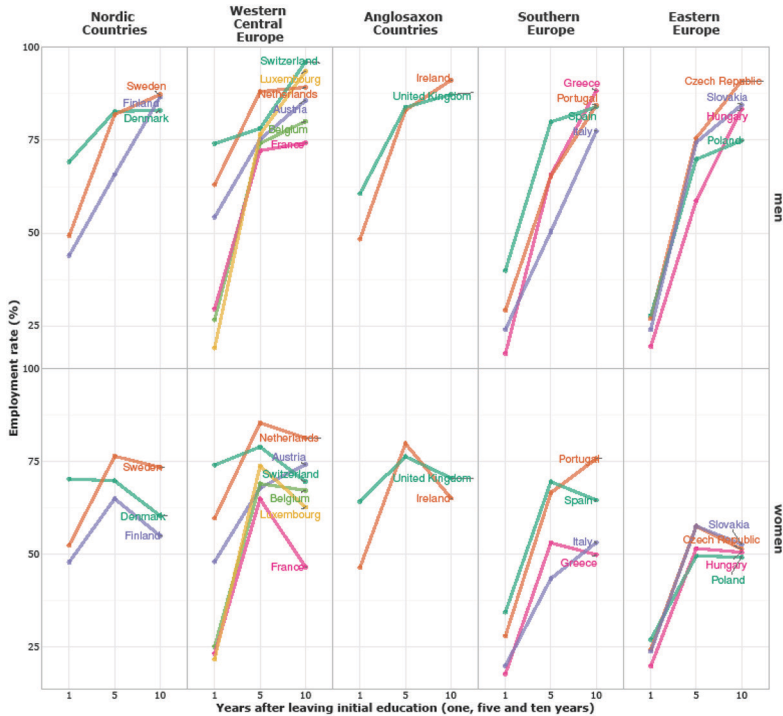


Figure 1. Employment rates (%) by gender, one, five and ten years after finishing education (OECD 2013)

but there are marked differences between countries: the overall employment rates vary from the very low 50 percent in Greece to 80 percent in the Netherlands and Switzerland.

While gender is not an important divide in employment one year after graduation, divisions become more pronounced the longer the time elapsed since graduation. After five years, gender differences are substantial and regime differences visible. Under the Post-Socialist and Southern-European regimes, and to some extent also in France and Belgium, women seem to have problems in combining child-rearing and employment which, in turn, results in either giving up employment or a trend of very low fertility rates. Differences are smaller in the Nordic countries, Switzerland, the Netherlands and the UK. Thus, the gender divide follows regimes to some extent, but not completely.

In addition to gender, educational attainment creates obstacles and sorts youngsters into different positions. Youngsters without upper secondary education have significantly more problems entering the labour markets than the better educated. On average, less than 50 percent of the youth with low educational attainment were without a job one year after finishing school. The situation is the worst in Southern Europe and the Post-Socialist countries.

After five years, the situation is better: employment rates are higher after five years than after one year past graduation, but there still are substantial differences between low and high-skilled labour. Differences are the smallest in Sweden and in the Netherlands. In some cases (Austria and France), employment rates among the highly-skilled are lower after five years than they were after one year—something that is related to raising children and other family responsibilities.

In 2011, almost half of the group aged 15–29 participated in education and close to 40 percent were already employed. There was a group of young people (10–20 percent of the age group), referred to

as NEETs, who were involved neither in employment, nor education or training (Eurofound 2012; OECD 2013). Although we can also here trace country-related variations, there are clear welfare-regime related patterns. The NEET problem is the smallest under the Nordic and Continental European regimes. On the other end of the continuum, we have the Southern European regime with a NEET-rate of 22 percent. The Liberal (19%) and the Post-Socialist (16%) regimes are between these extremes. The best results are achieved in countries that combine school, work through various kinds of apprenticeship programmes and activation measures, such as in Sweden, Austria, the Netherlands, Germany and Denmark.

Employment of mothers

For the sustainability of the public finances, it is important to increase employment rates not only in the beginning and in the end of the work career, but it is also important to increase labour-force participation rates in the middle of the work career for women in particular. Thus, it is decisive how easy it is to unify work and family (Hobson 2013; Prince Cooke 2011).

When it comes to the overall female employment rates, there is still a more or less clear divide between countries and between as well as within regimes (OECD 2012). The Nordic pattern follows the upside-down U-formation. Traditionally, having children in Southern Europe led to giving up employment, which was reflected in the peak employment figures for females in the 20–24-years age bracket, an employment rate that sharply diminished with age (Esping-Andersen 2009). The pattern is still visible. The previous M-curve for the Anglo-liberal regime indicated that women with family responsibilities were outside the labour force, but once their children had grown up, mothers re-entered employment. The Liberal regime has “gone

Nordic”, and now the female participation rates resemble the Nordic ones, although at lower participation levels (OECD 2013).

An alternative way to look at the impact of motherhood upon employment is to compare employment among women without children and women with children. Whereas in Scandinavia this difference, or motherhood penalty, is negligible, in many other countries the penalty is substantial. In the Czech Republic and Hungary, the motherhood penalty is over 30 percentage points, and in the UK and Germany, it reaches 20 percentage points (OECD 2013). The EU SILC provides us with data to carry out comparisons on longitudinal micro-data and to show to what extent welfare regimes display differences in motherhood-related absences from the labour market (Figure 2). It is important to recognise that not only are childcare responsibilities lying on the shoulders of the mothers, but also all other forms of care are the responsibility of women throughout their life cycles as Figure 2 indicates.

As can be seen in the Czech Republic, Estonia, Finland, Hungary, Poland and the UK, the most intensive periods of care concentrate in the bracket 25–45 years of age. In the Czech Republic and UK, the absent periods tend to be somewhat longer. In Denmark and Sweden, absences are very short, and the care responsibilities are more or less evenly distributed over the life course. Southern Europe and the Benelux countries, particularly Luxemburg, display their own pattern where family-related care tasks substantially increase with age and the periods last longer.

Labour market exit

Up to the 1990s, there was a common trend of decreasing (male) participation in the labour force across regimes. Since 1990, the trend towards an earlier exit has been broken in many countries, and simultaneously, female labour-force participation has increased.

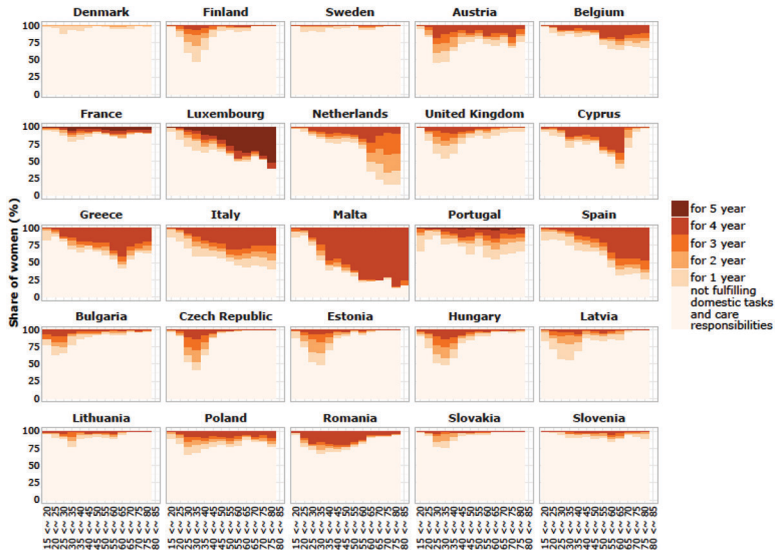


Figure 2. Female labour force status “taking care of family-related care responsibilities” (%); duration of care-related absences from the labour market according to age

Note: Authors’ calculations based on EU-SILC micro-data (Eurostat).

Figure 3 indicates that the new trends are affecting countries in all “worlds” of capitalism. Sweden has maintained the highest overall participation rates during the entire period, with no real decline for the total labour force. However, if it had not been for the increased female participation rate, the participation rate would have dipped until the mid-1990s. The UK and the USA both see recovering participation rates for men and an increasing trend for women during the latter part of the period. The increased participation rates for Germany are remarkable, but also in France we see an increase for the recent period, albeit from lower levels. The negative impact of the 2008 crisis is visible in the Southern European countries, Ireland (only for males) and Iceland.

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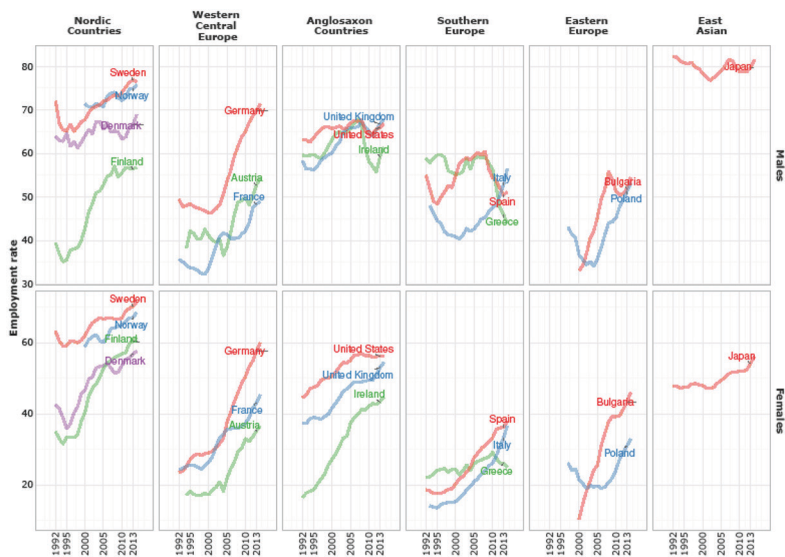


Figure 3. Employment participation rates of elderly (60 to 64 years of age) workers in OECD countries (OECD 2015)

Conclusions

A few tentative conclusions follow from our explorations. The first one is about the shift in the discursive focus. Economic and demographic challenges for the welfare state have taken the floor, and consequently, the Esping-Andersenian “decommodification” has given way to “recommodification”, or how to put people (back) into employment. Countries are looking for means to increase employment among the young, to give better possibilities for mothers to work and to create incentives for the ageing to continue to work.

Secondly, the notion of “three worlds” of welfare capitalism is less valid today than a quarter century ago. This has to do with two different processes. First, the three “old” regimes have changed in

some important respects due mainly to the modernisation of family policy and activation in labour market policy. Second, the old world of the 18 OECD countries is changing by extension of the OECD and of the EU.

The life cycle deficit inspection still reveals some welfare regime-specific peculiarities. As a rule, in Central Europe the youngsters enter the labour markets earlier than, for example, in the Nordic cluster, but in contrast, the older workers have an earlier exit from employment than do, for example, the Swedes. The specific problem for many post-Socialist countries is the late entry and early exit from the labour markets. Some East-Asian countries suffer from the same problem. In the Nordic countries, the sunny side of heavy investments in publicly provided social services is high female employment rates, which, in turn, effectively combats the sustainability deficit of the welfare state. The level of employment is essential for the solvency of the welfare state. In fact, high employment rates have been a cornerstone of the renowned Scandinavian welfare state model. However, as can be seen in the graphs, employment problems in the Nordic countries are associated with the young. The issue in Central and Southern Europe is the (too) early exit from the labour markets. In addition, a low female labour force participation diminishes the value of production in these countries, which is a challenge for East Asia too.

We have illustrated how countries differ when it comes to critical phases in the economic lifecycle. The fact that countries differ not only suggests that institutions matter but also that there is room for policy learning. A broader understanding of how welfare, education and labour market policies work to produce different kinds of labour market participation patterns for youngsters, parents and elderly people is an important lesson, and we should make good use of that lesson if we want to benefit from best practices in research. In the end, the lesson is about designing policies that can foster high levels of employment in all relevant phases of the lifecycle to ensure equality in society as well as sustainability of the welfare state simultaneously.

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