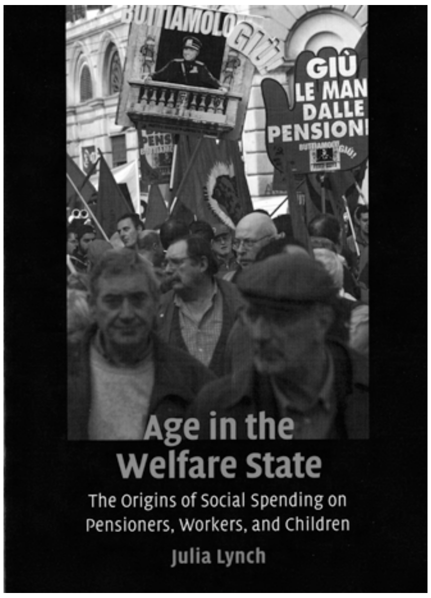
Julia Lynch: Age in the Welfare State

Reviewed by: Jörg Tremmel and Patrick Wegner

In the past decades, age has been the forgotten variable in the research on welfare states and social politics. Instead, scholars focused on class, gender and occupational divisions. Nowadays age has become too important a factor to further exclude it from serious social policy research. The demographic developments in most western welfare states have catapulted the topic to the attention of politicians and the public. In numerical terms, the political balance between different age cohorts has shifted in favour of the elderly in ageing Western democracies. For about 15 years, political scientists have considered the possibility that these states are on the path to gerontocracy (see, for instance, Bengtson 1993; Esping-Andersen/Sarasa 2002; Kotlikoff/Burns 2004). A correlate of this is the hypothesis that population ageing increases old age related expenditure. The debate is whether distributive conflicts over state resources are more and more played out along generational lines. According to political economists, the increasing age of the median voter will drive politicians to shift the spending priorities to meet the interests of the elderly, which is to allocate more money for pensions, survivor's pensions and incapacity. The aspiring concept of generational justice has also done its part in raising the awareness for these age factors by addressing questions of just distribution between generations and age groups.

Together with Disney (2007) and Castles (2008), Lynch's empirical work helps in corrobating generational inequality in the spending patterns of welfare states.

With her book *Age in the Welfare State* Julia Lynch presents one of the most comprehensive comparative analyses of how the distribution of social services differs among age groups in the OECD states, published to date. Based solidly on statistical data and empirical research, the book delivers an absolutely essential foundation for further research on the age factor in modern welfare state politics. Even though the author does not directly address questions of intergenerational justice, the relevance of the book for intergenerational justice research is obvious. A comparative approach surveying the available data is a necessary basis for determining the roots of generational inequality and for developing workable concepts for welfare state reforms.



The first part of the book unfurls the data base for later chapters. The author shows conclusively how present theories and typologies of the welfare state fail to explain why some states spend much more on social services for elderly people than others. Lynch points out rightly that solid empirical data is needed in order to determine if the elderly are really the main beneficiaries of some welfare states at the cost of the working population, and especially of children and career starters. What do the numbers presented by Lynch tell us? The author edits OECD data and manages to provide the reader with clear spending figures for different groups by displaying spending for each age group as a percentage figure of the GDP per capita. By providing numbers for spending on education, unemployment, elderly people, children and health care, the author shows that the gaps are quite extreme in some cases like Austria and Italy which are both strongly elderly oriented. The author combines these attributes and develops a new and innovative indicator for expenditure for the elderly and the non-elderly (p.29/30). She calls it ENSR (elderly/non-elderly spending ratio) and calculates it as follows:

$$\text{ENSR} = \frac{(pensions + other\_services) \div population\_over\_64}{(family\_services + unemployment + active\_labour\_market) \div population\_under\_65}$$

The ENSR allows for an informative ranking of OECD states: Japan spends most on services for the elderly with an unbelievable ratio of 42.3, it is followed by the US with 38.5 and Italy with 28.9. Germany is somewhere in the middle with a ratio of 16 and Denmark, 5.75, has the lowest ratio (all averages 1985-2000).

But for statements on intergenerational justice, the changes over time are more relevant than the international comparison. Here, Lynch's findings are quite mixed (p.50). In the four decades between 1960 and 2000, eleven states had rising ENSRs while eight experienced even falling ones.

The ENSR measure is refined by analysis of the effects of taxing on the different age groups, thus boosting the reliability of the figures presented. The author also includes housing policies as an indicator for elderly-oriented spending and uses the ratio of elderly/non-elderly house owners as a measure. In this case the concept is somewhat flawed, since it does not consider that young people nowadays have to be more flexible regarding mobility to make use of career chances and thus in some cases prefer renting premises until a certain age or stability in the professional life is reached. The most remarkable feat of the statistical analysis is definitely the ranking of OECD states, contributing a useful overview of the age orientation of these states.

Upon this empirical data Lynch conducts a comparison of the welfare systems of the Netherlands and Italy. She introduces her main thesis, deducted from this comparative case study, that the main difference lies in the implementation of a universal citizenship based versus a fragmented occupational oriented social welfare system. She claims that these different systems of welfare states are connected to different types of political competition modes, oriented towards a programmatic approach or a particularistic approach of clientelism (see p. 12). While a programmatic approach advocates a citizenship based system, clientelism advocates a fragmented occupationalist system and vice versa. The innovative aspect of this approach is that it leaves old welfare state typologies behind to include the competition modes of political systems and highlights the way politics and social welfare systems influence each other. This perspective is especially important when we try to assess the reform prospects of different welfare systems and the chances to redistribute social benefits according to requirements of generational justice in the scope of these reforms.

Lynch chooses Italy and the Netherlands as cases for this study for several reasons. First both states chose to adopt an occupationalist system in the early 20th century when social systems were first broadly implemented. After the Second World War the Netherlands adopted a more citizenship based model while Italy conserved its occupationalist model. The author argues that this early split is already due to the different modes of political competition in both countries. While the Netherlands have programmatic political competition, the competition in Italy is particularistic. While the competition modes are one of the main differences, the countries have a number of other similarities. These include both countries being rated as conservative-corporatist models by scholars, their shared male-breadwinner model and similarities in their economies during the post World War II period, which depended heavily on small firms and farms (p. 68). These similarities allow for a focus on the relevant differences in a comparison of the case studies. The case studies were chosen well, because the comparison of Italy and the Netherlands allows for a concentration on the reasons for different developments in social systems since both countries initially started as occupationalist systems.

Nevertheless it would have been a good idea to include a state that scores low on Lynch's ENSR. Italy is one of the top scorers, with a high elderly bias, while the Netherlands score lies roughly in the middle. Including an example of the other extreme of a very low ENSR could have lead to more universal results.

By comparing spending patterns and historical developments in Italy and the Netherlands for family allowances, unemployment benefits and pensions after World War II, Lynch manages to demonstrate her main thesis. She stresses the importance of existing institutional variables for the development of more elderly oriented occupationalist systems and generally more youth oriented universalist systems, pointing out how the fragmented tax system in Italy made it impossible to establish a universalist system due to financial reasons. On the other hand the universal tax system of the Netherlands, including taxation of self-employed, made paying universal benefits possible. As soon as occupationalist and universal systems were put in place, they were reinforced through the prevalent competition modes of politics in both countries. While clientelism in Italy led to a raise of pensions for voters of the governing party, reinforcing the fragmentation of the welfare system, the combination of programmatic competition and a universalist model made it impossible to favour single groups in the Netherlands. A rise of allowances always benefitted everyone. Italian clientelism was additionally furthered by the financial intransparency of a fragmented system, allowing for a rise of allowances for single groups while hiding the costs (p. 177). During this analysis the author manages to prove that the factors scholars often named as the main reasons for different age orientations of social systems are not nearly as decisive as those older findings suggest. By thoughtful comparisons of the case studies Lynch puts into perspective the influence of social power resources, pressure groups and the political orientation of the government. Her findings implicate that clientelistic politics, while not determining the age orientation of a system, are a strong hindrance to welfare state reforms. As a result it has to be expected that the demographic development will make it even more difficult to dismiss clientelism towards elderly people and old employees in the future. Lynch affirms these expectations by pointing out, that power resources of social groups like elderly pressure groups are especially efficient when fending off cuts of current benefits or allowances (p. 169). This becomes relevant since pensions are the highest matter of expense in modern welfare states, and thus some form of pension cuts will be inevitable in the scope of fundamental welfare state reforms for a just distribution across age groups.

The author conducts her research with an impressive attention towards details and takes care to discuss all possible third variables that could distort her findings. This attention to details is at the same time a slight weakness of the book. Due to the nearly obsessive correctness of the analysis undertaken in very small steps the book becomes redundant as the author carefully proves an already known thesis for the third or fourth time. When trying to grasp the essential findings of the book, this style of analysis can result as wearisome and obstructive. Nevertheless these deficits in accessibility and structuring are a small price to pay for the lucid explanations and solid findings the book offers.

The most remarkable result of the book at hand is the exposure of the resilience of age orientation of social spending. Early institutional decisions and political competition modes reinforce each other and make the system increasingly resistant to change. These findings are especially important when discussing the possibility to reform biased welfare states. As Lynch shows, much effort has been put into the reform of the Italian welfare state, especially into the reform of its pensions system, that provides a close to 100 percent compensation of wages for some fortunate groups while not even ensuring a decent living standard for groups receiving the minimum rate. The prevalent explanations, attributing these changes to pressure groups and political orientations, suggest that a reform of the welfare state is just a question of a shift in the power balance of pressure groups or of a change in government ideology. But Lynch's approach of including institutional paths is much better suited to explain the remarkable difficulties some countries have to reform their inefficient social systems. In fact the author goes as far as stating that a profound reform of welfare states is only possible with the help of exogenous shocks that open up possibilities for the political system to breach the mutual reinforcement of institutional structures and competition modes. As examples for such exogenous shocks she names the fall of the Iron Curtain and the creation of the Common European Market and the monetary union. This emphasis of political opportunity structures for decisive reform steps is a known concept in sociology, for example referring to opportunity structures of social movements. It is a pity that the author does not offer a more in-depth analysis of the role these opportunity structures play. It would have been especially interesting to analyse why Italy failed to capitalise in its reform efforts on the recent opportunities in terms of the fall of the Iron Curtain and the creation of the European Monetary Union. Further research on this matter is both necessary and of practical relevance for determining successful reform approaches. To sum up *Age in the Welfare State* by Julia Lynch is a valuable source for any scholar planning to work on the age orientation of social spending and offers a high-quality example for in-depth comparative studies that comes with helpful statistical data calling for further research.

Julia Lynch (2006): Age in the Welfare State. The Origins of Social Spending on Pensioners, Workers, and Children. New York: Cambridge University Press. 223 pages. ISBN: 0-521-61516-X. Price £15.99.

<u>Cited literature:</u>

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Martin Kronauer / Gudrun Linne (ed.): Flexicurity. Die Suche nach Sicherheit in der Flexibilität.

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A term that you will not find in a dictionary has created a furore in the last years: 'flexicurity'. This term connects flexibility, which is requested by employers due to the growing pressure of globalisation, to social security. This is necessary as even employees in flexible working conditions such as part time or temporary jobs, or people with discontinuity in their employment biography should not slip into insecure or precarious working conditions.

The European Commission in particular propagates this new approach in order to create an advantage of location for Europe over the American and Asian labour market (especially the Chinese). Since the European Social Agenda of 2000, flexicurity has become a major part of the Lissabon Process.

But is 'flexicurity' just a foul compromise to bridge contradictory terms with a neologism?

The authors of this German anthology (edited by Martin Kronauer and Gudrun Linne in the research papers of the Hans-Böckler-Foundation) still see substantial gaps in both the theoretical foundation and the practical implementation of the concept. Thus they start their introduction with a definition of flexibi-