

9. Politics of generational welfare contracts

Welfare states and social policies are intrinsically political, and thus constitute key battlegrounds for distributive strife. Without denying that different age groups may compete around the distributive priorities of welfare states, it is important to re-emphasize the main argument of this book, that certain institutional structures have the potential to facilitate support for public interventions in market processes that cut across age differences. Thus, the ways in which social policy respond to age-related needs are likely to reflect central political differences between countries, and not only demographic pressures.

The purpose of this chapter is to investigate the role of party political factors in how generational welfare contracts are structured. When are political actors more likely to engage in mutual cooperation and positive-sum solutions in social policymaking for the benefit of all age groups? We hypothesize that the relative strength of left political parties is particularly important. Thus, we expect that the likelihood of interest mediation in generational politics is greater in contexts where governments more readily intervene in market processes and age-related claims are embedded in class politics.

By focusing on party political factors we enter an old debate in scholarly literature about the causes of social citizenship. The explanatory role of actors, relative to structural factors, has waxed and waned in the cycles of academic discourse (Ferrarini, 2006; Montanari and Nelson, 2013). However, despite numerous comparative studies on class politics and the welfare state, explanations are seldom explicitly positioned in relation to generational relations and concurrent government responses to wider age-related needs. In the absence of class-based perspectives on the generational welfare state, scholarly debates about generational politics have largely focused on issues of population ageing and generational conflict. Thus, by focusing on the generational structure of social citizenship and partisan politics our contribution fills an important gap in comparative research.

Next in this chapter we will review the debate on the political and structural driving forces of welfare states from a generational perspective. Then,

we carry out empirical analyses on the role of central partisan political and structural factors in the development of age-related social citizenship rights and generational welfare contracts.

AGEING SOCIETIES AND PARTISAN POLITICS

Contemporary scholarly debates about social citizenship and welfare states can easily give the impression that generational politics are completely separate from class politics. While the former debate is closely tied to structural changes in society and brought to life by population ageing, the latter is often portrayed as having limited significance in rapidly ageing societies. In the influential “new politics” paradigm, developed by political scientist Pierson (1996), population ageing (together with deindustrialization, slow economic growth and matured government commitments) places serious constraints on state budgets and the possibilities for national governments to expand social policy. In this period of permanent austerity, beginning in the mid 1970s, class-based politics – for decades a main driver of social policy – is supposed to have become less important and replaced by a multitude of more narrowly defined interests, driven by structural change and expressed politically, not least by electorally powerful older cohorts (as previously discussed in Chapter 3).

The explanatory role of specialized interests – of which many are based on new lines of conflict in ageing societies – can be seriously questioned, not least from a power resource perspective. Power resource theory, primarily developed by sociologist Korpi (1978), contests the dominant role of structural explanations for welfare state development, and places greater emphasis on class-based mobilization through major political parties. Although structural pressures, like those caused by deindustrialization and demographic change, are recognized in this theoretical framework (Korpi, 2003), the dominant explanatory factor is firmly rooted in class-based politics. In this perspective, structural pressures and accompanying specialized interests are not forces of nature that affect all welfare states equally. Instead, their consequences for social policy are expected to be mediated by class-based partisan politics, even in periods of permanent austerity (Korpi and Palme, 2003).

Through the potential to effectively neutralize maximization strategies of more specialized interest groups, it can reasonably be assumed that class politics are also relevant from a generational perspective. Earlier comparative studies on generational politics point out class-based ideological orientations as one likely reason for the continued diversity of

welfare states in the presence of population ageing and a growing elderly electorate (Esping-Andersen, 2002; Pampel, 1994). An interesting observation in this regard concerns interest groups that are organized specifically around issues of ageing. In the last few decades, new movements in politics have certainly not been lacking. Important examples include the emergence in many countries of green political parties but also, and increasingly, right-wing populists. Pensioners' parties have also appeared in some countries, but remain very much on the political fringe, generally lacking representation in national parliaments (Hanley, 2010). The actual influence of independent lobby groups of elderly people on policymaking is also far from clear. In particular, claims in the literature about the proactive role of elderly advocacy groups and their power to successfully push forward political agendas should be treated with caution. Research on the pro-elderly bias of the US and Italian welfare states actually indicates that pension reform has often been the result of interest formation in auxiliary organizations of more traditional class-based political parties, rather than being primarily driven by lobby groups of elderly citizens directly promoting particularized agendas (Campbell and Lynch, 2000).

The exact mechanisms through which class-based politics have the potential to repeal the political influence of more demarcated interests related to ageing are muddled with uncertainties. Nonetheless, both interest mediation and consensus-building seem to be important candidates for explaining such a connection. From a policy perspective, a key challenge for promoting positive-sum solutions in generational politics is to show the potential electorate that bargained consent is better than instability and uncertainty caused by a multitude of specialized interests competing for power. Class-based politics have considerable potential in this regard as socio-economic cleavages infiltrate almost every area of society and are closely intertwined with specialized interests, not least those related to age (Pampel and Adams, 1992).

By balancing social citizenship rights across age-related social risks, left parties may pursue class-based politics while also incorporating more specialized interests. In the absence of a strong political left that encompasses broader class interests, promoting ideas of universalism and solidarity in policymaking, the strongest of special-interest lobbies are likely to have a better breeding ground to push forth their particular agendas. The likelihood of generational trade-offs in social policymaking would thereby increase. Next, we empirically analyse the extent to which main partisan political orientations are linked to the generational structure of social citizenship.

EMPIRICAL ANALYSIS

Partisan Politics and Generational Welfare Contracts

In the empirical analyses below it is important not only to differentiate between left parties and secular centrist/right parties, but also confessional parties. In power resource theory, left parties are generally supposed to be more proactive towards the welfare state than secular centrist/right parties, whereas confessional parties tend to take an intermediate position in terms of redistributive policies. Left parties are usually considered to be in favor of universalism and more encompassing social policies, which can be assumed to have greater potential in fostering positive-sum solutions in the generational patterning of social citizenship. Secular centrist/right parties are more likely to promote market-based welfare, which should increase the influence of specialized interest and boost generational trade-offs and conflicts in social policy, including those related to population ageing. Confessional parties are also likely to moderate class conflicts, but in a different way compared to left parties. Historically, confessional parties have tried to offset the political basis for mobilization of workers in left parties, usually by organizing social policy along occupational lines to preserve status differentials.

The political variables of government composition are from Korpi and Palme (2003), here updated to 2010 with data published by the *European Journal of Political Research* (various years). Left parties include social democrats and parties to their left. The confessional category includes Christian democratic parties and protestant parties. Remaining parties are defined as being secular centrist/right. Political parties that tend to have only one issue on their agendas are excluded from analysis. We have only excluded parties in exceptional cases when the unidimensional character of manifestos is obvious, including a restricted set of right-wing populists and environmental parties in a few countries. Years with coalition governments and years with changes of cabinets are weighted by the proportion of seats held by the parties in cabinet and the proportion of the year during which the cabinet existed. Because we are analysing complex welfare state structures where some programs have long maturation periods, we use cumulative cabinet shares from 1945 up to 2010. We thus analyse long-term partisan incumbency and hegemony of main political ideologies (Huber and Stephens, 2000).

Table 9.1 shows cumulative partisan cabinet shares (percentages) for the period 1945–2010 in 18 OECD countries. Countries are grouped according to their generational welfare contracts, as defined in Chapter 4 (balanced, pro-work and pro-old). Countries with balanced contracts have

Table 9.1 Generational welfare contracts and cumulative partisan cabinet shares (percentages) in 18 OECD countries 1960–2010

Contract type	Country	Cumulative partisan cabinet shares (percentages)		
		Left	Confessional	Secular centrist/right
Balanced	Austria	52.4	42.6	5.0
	Belgium	33.3	43.8	23.0
	Denmark	44.4	0.7	54.9
	Finland	36.3	0.3	62.8
	France	27.7	6.1	66.2
	Norway	70.7	6.8	22.6
	Sweden	76.5	1.6	22.0
	<i>Average</i>	<i>48.7</i>	<i>14.5</i>	<i>36.6</i>
Pro-work	Germany	28.7	48.8	22.5
	Japan	2.7	0.0	97.3
	Netherlands	23.7	52.6	23.8
	Switzerland	24.3	28.4	47.3
	<i>Average</i>	<i>19.8</i>	<i>32.4</i>	<i>47.7</i>
Pro-old	Australia	34.9	0.0	65.1
	Canada	0.0	0.0	100.0
	Ireland	10.5	17.3	71.4
	Italy	21.5	55.5	20.9
	New Zealand	38.6	0.0	61.4
	United Kingdom	46.9	0.0	53.1
	United States	0.0	0.0	100.0
	<i>Average</i>	<i>21.8</i>	<i>10.4</i>	<i>67.4</i>

Source: Korpi and Palme (2003) and the *European Journal of Political Research* (various years), own calculations.

fairly strong incumbency of left parties in governments. In this group we find Austria, Belgium, Denmark, Finland, France, Norway and Sweden. Although the historical influence of social democracy has been strong in the Nordic welfare states (Esping-Andersen, 1990), it should be noted that secular centrist/right parties have been rather successful in competing for political power in Denmark and Finland, particularly in recent decades (Montanari and Nelson, 2013). In Denmark there was a long period of secular centrist/right governments in the 1980s and a few years into the 1990s, sometimes in coalition with minor confessional representation. After a period of coalition governments, including the social democratic party, secular centrist/right parties held all cabinet seats following the 2001

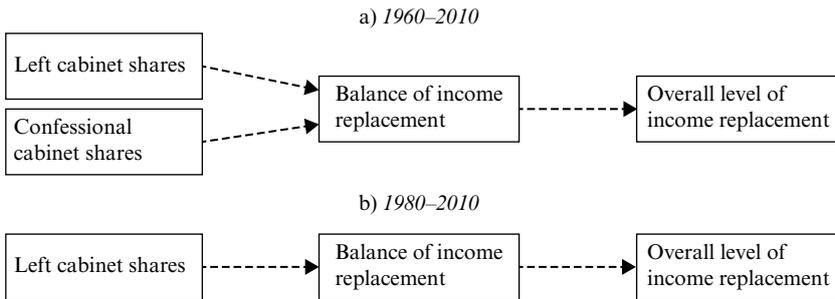
elections. Left and secular centrist/right coalition governments have also been common in Finland, with secular centrist/right parties often being ahead of social democrats in cabinet shares.

The influence of confessional parties and secular centrist/right parties has been comparatively strong in countries with unbalanced generational welfare contracts. Countries with pro-work contracts present somewhat of a mixed bag in terms of partisan incumbency. Whereas Christian democratic parties have dominated governments in Germany and the Netherlands, political life has been more influenced by secular centrist/right parties in Japan, but also in Switzerland. Secular centrist/right parties also have a long history of political incumbency in many of the countries that we categorize as pro-old. This includes the English-speaking countries of Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States.

Among countries with pro-old generational welfare contracts, Italy is a somewhat odd case with longer political influence of confessional parties, combined with moderate political strength of left parties in governments. In fact, cumulative partisan incumbency in Italy is more similar to Germany and the Netherlands than to any other country in the pro-old category to which Italy belongs. However, compared to both Germany and the Netherlands, the Italian political left has often been considered less successful in promoting social citizenship rights (Korpi, 2006). Whereas Christian democrats in Germany and the Netherlands had to contend with strong social democratic parties, which were sometimes in coalition with the liberals, the big Communist party in Italy was historically not accepted as cabinet partner.

Regression Analysis

The descriptive data analysis above indicates that partisan incumbency varies systematically across countries with different generational welfare contracts. Stronger political power of left parties seems to be one common denominator among countries that have effectively managed to balance social citizenship across major age-related social risks. In this last empirical section of the book we subject our data to regression analysis based on structural equation modeling and more firmly assess the empirical link between the generational structure of social citizenship and partisan politics. We use the same data of cumulative partisan cabinet shares as in the descriptive data analysis above, although the influence of partisanship here is measured in years of government (instead of percentages) for the period 1945–2010. Thus, our measure on cumulative partisan cabinet shares in the statistical regression analyses ranges from 0 to 66.



Note: Country-fixed effects and cluster robust standard errors. All models include the full set of confounding factors, including the unemployment rate, GDP per capita, the old-age dependency ratio, civilian labor force and service sector employment. Only statistically significant paths are shown. Solid arrows indicate negative associations, dashed arrows positive ones.

Figure 9.1a–b Pathways between balance and overall level of income replacement in age-related social insurance and cumulative partisan incumbency after confounding adjustment. Country-fixed effects structural equation models of 18 OECD countries 1960–2010

Our political variables of cumulative partisan incumbency constitute the main explanatory factors (with secular centrist/right governments being the point of reference). The degree to which income replacement in social insurance is balanced across age-related social risks (childhood, working age and old age) is our mediating variable. The dependent variable is the overall level of income replacement in major age-related social insurance schemes. Both variables are measured exactly in accordance with our analyses on the institutional structure of social citizenship in Chapter 4, as are the confounding variables – the GDP per capita, the civilian labor force, the unemployment rate, the old-age dependency ratio and service sector employment.

The regression analysis of partisan political incumbency and income replacement in major age-related social insurance schemes are carried out in two steps. We first analyse the period 1960–2010, and thereafter concentrate on the most recent development from 1980. Figure 9.1 shows structural equation models of pathways between income replacement in social insurance and cumulative partisan cabinet shares in 18 OECD countries. Similar to preceding chapters we report these results in the form of so-called path diagrams. Single-headed arrows show the direction of observed relationships, solid arrows for negative associations and dashed arrows for positive associations. All direct and mediating effects are ana-

lysed, but only statistically significant paths are illustrated graphically as arrows. The full structural equation models with all regression coefficients and their standard errors are shown in the Appendix, Table A.7.

For both time periods, cumulative partisan incumbency is linked to the generational structure of social citizenship and to the overall comprehensiveness of the system. However, there is no direct relationship between partisanship and the overall level of income replacement in age-related social citizenship rights. Instead, the association is indirect and works through the generational balance of social insurance. For the period 1960–2010, both left parties and confessional parties (in comparison to centrist/right parties) equalize differences in income replacement between age-related risk groups, with subsequent increases in the overall level of income replacement in social insurance. The influence of left parties is somewhat stronger than that of confessional parties.¹ Our results for the period 1980–2010 are similar, except that only cumulative left partisan incumbency is now statistically significant.

The association between cumulative left partisan incumbency and the overall level of income replacement in age-related social insurance for the latter period is mainly driven by developments in family benefits, and as such our results are perfectly congruent with those in Chapter 4 (see the Appendix, Table A.8). Developments in family benefits also explain why confessional partisan incumbency disappears as a main driver of social citizenship from 1980, where some countries with a comparatively strong presence of Christian democratic parties in governments are still lagging behind in terms of income replacement for childhood-related risks, including the Netherlands, Italy and Switzerland (see Chapter 4). Acknowledging that there is an academic discussion about the role of women in political decision-making for the expansion of family policy (Atchison, 2015; Ferrarini, 2006; Kittilson, 2008) we also estimated a regression that controls for the share of women in governments (Table A.8). This procedure did not change the main results for cumulative left partisan incumbency.

Neither the old-age dependency ratio, nor any of the other confounding factors demonstrate statistically significant effects. Thus, population ageing, deindustrialization and reduced growth rates all seem to be rather unrelated to the generational structure of social citizenship as well as to the overall comprehensiveness of the system of social protection. What matters, however, is how conflicts are expressed in politics. Left parties (and to a lesser extent Christian democrats) seem particularly successful in promoting generational welfare contracts that are balanced and provide comparatively high levels of social protection for all age groups.

CONCLUSION

In this chapter we analysed the political foundations of the generational welfare contract and the patterning of age-related social citizenship rights by focusing on partisan politics. We argued that positive-sum solutions in generational politics are more likely to arise in countries where specialized age-related claims for welfare are incorporated into class politics by the presence of strong left parties. Our analyses provide support to such class-political and party-oriented explanations.

By analysing long-term partisan political incumbency, we showed that balanced generational welfare contracts are more likely to appear in countries where left parties have had strong influence in governments. For the period 1960–2010, confessional parties also had a certain influence on the generational structure of social citizenship, and the degree to which income replacement in major social insurance schemes is balanced across age-related social risks. However, this relationship disappeared for the most recent period 1980–2010, which is characterized foremost by expansion of family benefits. It should be noted that family policy in several countries with a strong presence of Christian democratic parties in government is still lagging. Central structural factors – such as the old-age dependency ratio – lack explanatory value for the generational structure of social citizenship.

NOTE

1. For cumulative left partisan incumbency, the regression coefficient is 0.785 (Table 9A.1). The corresponding coefficient for cumulative confessional partisan incumbency is 0.503. A statistical Wald-test shows that this difference in parameter estimates is statistically significant.