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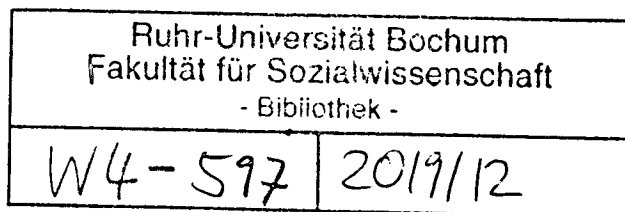
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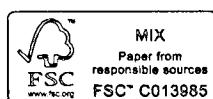
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What are welfare state typologies and how are they useful, if at all?¹

Kees van Kersbergen

Introduction

This chapter examines the need and utility of typologies for the comparative analysis of welfare capitalism. There exist various typologies, such as Castles' (1993) classification of different 'families of nations' that was developed to capture and express similarities between countries' public policies, based on common cultural, historical and geographical features. The best-known and prolific classification of types of capitalism (rather than welfare) is Hall and Soskice's (2001) distinction between different production regimes, labelled the 'Varieties of Capitalism' approach. However, the field of comparative welfare state research is dominated by, and greatly indebted to, the work of Gøsta Esping-Andersen, whose landmark study *The Three Worlds of Welfare Capitalism* (1990) completely revolutionized the way social scientists look at the welfare state. Two innovations were particularly powerful (for an attempt to integrate the varieties and worlds of welfare approaches, see Schröder 2013). First, he introduced the concept of a welfare *regime* that allowed a much broader and better understanding of how the major institutions of society (state, market and family) interacted to produce work and welfare. In this way he not only helped remove the field's exclusive and theoretically unsatisfying preoccupation with the state and social spending but he also opened up a whole new area for innovative research. Second, he not only introduced, documented and explained the qualitative variation in welfare regimes (as the dependent variable) but he also showed how these regimes (as the independent variable) were systematically related to differences in social outcomes that really matter, particularly in terms of the differential structuring of post-industrial employment trajectories.

Much intellectual effort has been invested in further developing, testing, adjusting, expanding, criticizing and, in various ways, applying the regime typology as a classificatory and heuristic research tool. Arts and Gelissen (2010: 569) argued in 2010 that the regime typology has become a paradigmatic one. On the basis of their review of empirical studies that use Esping-Andersen's regime typology, they conclude: '– in spite of all kinds of conceptual, operationalization, and data problems that must be solved – that his typology is promising enough for work to continue on welfare state models' (581; see also Ferragina and Seeleib-Kaiser 2011; Ferragina *et al.* 2013, and Chapters 24 and 27, this volume). They add, however, that further progress will very much hinge on the ability to devise a firmer theoretical foundation of contemporary and

future welfare state models as explanatory categories. This resonates well with Powell and Barrientos' (2011) thesis that welfare state research has not focused sufficiently on further theorizing. I agree with these positions, although the contours of better theorizing have not been outlined as yet. I am also somewhat concerned about the confusion between empirical typologies and ideal-types (see Chapter 28) that continues to exist and that may stand in the way of the desired theoretical progress. This chapter aims to explain the intellectual background of the regime typology, discusses the criteria for good typologies, critically re-examines and evaluates the operationalization of the three worlds typology, and discusses how to distinguish between relevant and not-so-relevant criticisms of typologies.

Intellectual roots of the regime approach

Welfare states have been analysed and discussed using empirical typologies practically since systematic welfare state research became a major branch of comparative social policy analysis (see Chapter 28). Wilensky and Lebeaux's (1965 [1958]) functionalist study of how industrialization affected social welfare in the USA, for instance, already early on introduced the highly influential distinction between two types of welfare. They characterized the first type as a *residual* version, where 'social welfare institutions should come into play only when the normal structures of supply, the family and the market break down' (Wilensky and Lebeaux 1965: 138). They called the second model the *institutional* variety because it assumes 'welfare services as the normal first line function of industrial society' (ibid.).

Titmuss (1968: 113, 128) initially used a similar two-fold typology that distinguished between universal (later labelled universalist) and selective models of social services and redistribution. In his later work, Titmuss (1974) came to promote a classification of welfare states as existing in three forms: (1) a residual type that intervenes only in cases of serious market and family failure; (2) an industrial-achievement-performance model where a person's performance on the labour market is decisive for his or her social entitlements; and (3) an institutional redistributive variety that is encompassing and egalitarian. As Esping-Andersen (1999: 74, fn. 1) himself indicated, his and Titmuss' typology have a close affinity.

The intellectual roots of the regime approach developed by Esping-Andersen may be traced back to a double critique. First, there had been long-standing dissatisfaction with the functionalist literature for its failure to explain the huge differences in social expenditure between similarly advanced and industrialized capitalist countries. Second, the view that democratization explained the expansion of the welfare state did not fare much better because it could not account for the variation in social spending among equally democratic nations either.

The basic political economy model for how democracy leads to income redistribution was presented early on by Meltzer and Richard (1981). Their argument was that when income inequality rises, the demand for income redistribution among voters also rises. Typically, the income distribution is right-skewed and the income of the median voter is below the average income. The median voter, then, has a preference for income redistribution towards the average income. The more unequal is the distribution, the louder is the demand for income redistribution. And the more poor people vote, the higher is the degree of redistribution. Thus, democracy leads to redistribution via the welfare state.

This theory has two major shortcomings. First, equally democratic countries tended to have widely diverging levels of welfare effort. Second, the most unequal societies did not redistribute the most. In fact, countries that already had relatively modest wage differentials were also redistributive leaders (say, Sweden), while highly unequal countries (say, the USA) were welfare state laggards. The power resources (Korpi 1980) critique stressed that the working class could only

influence public policy via democracy if it mobilized both socially in labour unions and politically in a socialist or social democratic party. The 'power of numbers' (membership and votes) was a necessary condition for bringing about income redistribution through democratic means. However, although in some instances social democracy was able to win a parliamentary majority (e.g. in Sweden in 1940 and again in 1968), political coalitions as a rule decided the type and extent of redistributive policies. A large number of studies corroborated the thesis that the stronger politically organized labour (social democracy and labour unions) was, the more redistributive the welfare state tended to be (for an extensive analysis of social democracy, see Keman 2017).

However, the social democratic impact upon redistribution could also be questioned because universalism and generosity did not necessarily imply redistribution from the rich to the poor, but were very much favourable towards the middle classes. One major source of inspiration for the formulation of the regime typology was tapped when researchers started to look for the social democratic effect not so much in welfare *effort* and the *level* of redistribution (quantity: how much welfare states spend and redistribute), but increasingly in the variation in the properties of welfare arrangements (quality: how well workers are protected against the market; how well social service programmes serve their clientele). Social democrats typically promoted universalism, state-guaranteed social rights and high protection against the whims of the market (de-commodification: the extent of independence from market forces), full employment and lenient conditionality.

Esping-Andersen re-specified the welfare state concept with reference to qualitative features and it was this aspect that radically changed the field's orientation. Starting from the judgement that 'expenditures are epiphenomenal to the theoretical substance of welfare states' (1990: 19) and the reflection that 'it is difficult to imagine that anyone struggled for spending per se' (1990: 21), he suggested that the study of welfare states had much to gain by looking at three dimensions that typify a welfare state regime. First, the quality of social rights is important. How good are welfare states actually at shielding people from the uncertainty of markets and against social risks associated with the life course? Second, the typical patterns of stratification that social policies foster mattered. Do social policies distinguish between classes of people and do all have equal social rights? Do social policies overcome or reproduce status and other relevant social differences? Third, it is not only the state that produces welfare but the market and the family are always inextricably involved as well. How do these major public and private institutions of society interact to form a welfare regime that shapes a nation's work and welfare?

By empirically mapping various indicators that capture these three dimensions, Esping-Andersen was able to distinguish three types of welfare state regimes: a social democratic, a liberal and a corporatist or conservative regime. The regimes differed with respect to the major institutions guaranteeing social security (the state, the market or the family); the kinds of stratification systems upheld by the institutional mix of these institutions (the extent of status and class differentiation, segmentation and inequality typically implied in social security systems); and the degree of de-commodification, i.e. 'the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation' (Esping-Andersen 1990: 37).

The three worlds typology

To explain the three worlds typology clearly and to be able to evaluate the many criticisms, it is necessary to start the exposé with a short discussion about the analytical status of typologies (note that my approach here contrasts with Aspalter's treatment of real-typical and ideal-typical

methods in comparative social policy; see Chapter 28). A typology, unlike the theoretical device of ideal-types, is an empirical classificatory tool that reduces observed complexity by cataloguing existing cases as meaningful representatives (types) of some concept of interest. This is done by using relatively arbitrarily chosen values of theoretically relevant features as criteria for placement in the cells of the classification scheme, i.e. the typology. Cases that have similar or nearly identical scores on the variables are classified as belonging to the same type.

Although a typology is necessarily constructed on the basis of some implicit or explicit (proto-)theory, it is at heart simply a classificatory device that helps arrange the observable empirical 'mess' of phenomena in a more ordered, transparent and therefore comprehensible manner. A good typology, in addition to being efficient and reliable in reducing complexity, should be exhaustive and mutually exclusive. That a typology should be exhaustive implies two things: (1) all theoretically relevant dimensions should be included in the construction of the types; and (2) it should be possible to assign all existing cases to one of the types. That a typology should be mutually exclusive means that an empirical case can be assigned to one type only. In sum, a typology is first and foremost designed for conceptual and descriptive purposes.

Applied to the welfare state regime typology, this implies, first, that the theoretically relevant dimensions of variation must be identified. Esping-Andersen (1990: 21) defined the core idea of the welfare state as social citizenship, embodied in the granting of de-commodifying social rights (first typological dimension) and the extent to which stratification is upheld or modified by such rights (second typological dimension). In addition, the third dimension of variation relevant for the construction of the typology concerned the extent to which the state's welfare activities are interconnected with the market's and the family's contribution to social welfare. On each of these dimensions, Esping-Andersen compared the existing worlds of welfare and found that welfare states were systematically clustering around specific values of the identified dimensions.

To operationalize the de-commodification potential of social rights (pensions, sickness insurance and unemployment benefits), Esping-Andersen looked at (1) the rules of access to benefits (eligibility and restrictions on entitlements, such as contribution record and needs test), (2) the level of income replacement offered, and (3) the range of entitlements. The decision how to draw a line between a high, medium and low level of de-commodification was not theoretically justified but technically solved on the basis of one standard deviation below (low) or above (high) the mean (medium) (Esping-Andersen 1990: 54, appendix). However, the final ranking of countries in the three types was based 'roughly on how nations cluster around the mean' (Esping-Andersen 1990: 51).

Stratification, the second dimension of the typology, was specified by arguing that one needs to look at how social policies affect the social structure. A welfare state 'may cultivate hierarchy and status', writes Esping-Andersen (1990: 58), as is done in conservative social policy, 'another dualisms', as is characteristic for the liberal type, 'and a third universalism', which is the distinctive feature of the social democratic variety. The conservative stratification dimension of the typology was operationalized by looking at the differentiation of social insurances (corporatism) and the privileges of civil servants (etatism). Liberalism was measured by looking at the importance of means-testing, the level of individual contributions and the strength of the private sector, and universalism was the main feature of socialism (Esping-Andersen 1990: 69). The empirical result (Esping-Andersen 1990: 75, table 3.3) was again based roughly on the mean scores and standard deviations of the cumulated index scores and showed that three clusters came to the fore.

The third dimension of the typology was theoretically meant to capture a nation's specific mix of state, market and family in the provision of social welfare, but Esping-Andersen empirically exclusively looked at the public-private mix in pension policies. Pensions were argued to

be the logical choice, because they were the largest and most important part of social transfers. Esping-Andersen distinguished public pensions, civil service pensions and private pensions, and measured the public-private mix. Again, three pension regimes emerged from the classification (Esping-Andersen 1990: 85–87).

This short overview shows that the typology is above all a classificatory device that reduces the empirically existing complexity of the many worlds of welfare to three. It also seems clear that the boundaries between the three types are occasionally drawn in a theoretically relatively arbitrary way, but cases end up in one of the types owing to similar scores on the various variables. The worlds of welfare come in three regime types.

The liberal regime of countries such as the USA, the UK, Australia and New Zealand relies on low and flat rate benefits for which very strict eligibility or access criteria are formulated and applied. Benefits are means-tested, low, meant primarily to prevent or alleviate poverty, and for the most part tax-financed. If citizens wish to have more than basic protection, for instance, life insurance or a private pension scheme, they will need to purchase that on the market or acquire it via their employer. Such arrangements are often stimulated through tax exemptions and allowances. Public social spending is comparatively low. The regime has limited collective provisions and is service-lean. The welfare state solely targets the poor, the extremely vulnerable and the neediest. It reinforces social differences, particularly between welfare recipients, the middle classes and the privileged, and between the well-paid professionals and the underpaid underclass of the working poor. In short, this is a tightfisted welfare state that offers little protection and does not interfere very much with the inequalities generated by the market.

The social democratic regime as found in the Scandinavian countries is also tax-financed, but is much more lenient in its eligibility rules (no means-testing) and generous in the provision of benefits and services; it works with compulsory social insurance with earnings-related benefits. It aims to offer a high level of social protection through benefits and services as a matter of rights to all citizens. It is an expensive welfare type, and public social spending and tax levels are high. As a result, maximum labour market participation of all groups is highly valued, not only as a commendable goal in itself but also as necessary for upholding the universal and expensive welfare state. This regime excels in the provision of public social services (social care, health, labour market and education). The role of the market is downplayed. The social democratic welfare state itself is a major employer, where women in particular find jobs. Because of its universal features, the regime greatly diminishes social distinctions.

The conservative regime stresses that social rights are earned on the basis of one's economic contribution to society (employment) or one's social function in the family (primarily housewives). Hence, social benefits are financed through payroll contributions, and those who have no job, especially women in their role as mothers, are entitled to benefits via their relationship with an employed person (husband, father or other family members). Eligibility is strict to the extent that actuarial principles link performance (e.g. contribution period and employment) to entitlements: Unlike the other regimes, the conservative welfare regime discourages female employment and employment of the elderly and disabled. The level of social benefits depends on former income and contributions to the insurance funds. There are usually many different collective schemes, with special treatment of civil servants. Also in this regime, the market plays a relatively limited role. The particularist features of the regime tend to reproduce existing social stratification, reinforcing differences between occupational status groups, men and women, and types of families. This regime is a minimal service provider (e.g. underdeveloped childcare) and relies primarily on cash transfers through myriad occupationally distinct schemes.

The quality of the typology and the confusion of types and ideal types

What is the quality of the typology, i.e. to what extent does it conform to the criteria of a good typology specified above? Esping-Andersen's typology is arguably exhaustive: first, because de-commodification, stratification and the public-private mix are the relevant dimensions that needed to be included; second, because approximately all 18 cases (for which data were available) could be classified in one of the types. The single biggest missing aspect in the classification exercise concerns the role of the family in the public-private mix of social provision.

The typology cannot unambiguously be qualified as mutually exclusive, however, because there emerged several marginal borderline cases of which it was not clear to which type they should be assigned. For instance, as Esping-Andersen (1990: 51) accurately reports, Belgium, the Netherlands and Austria have high levels of de-commodification and are put together with the social democratic countries. However, the distance between Austria (the lowest of the high scores) and Denmark (the lowest of the social democratic countries) is exactly the same as the distance between Austria and Italy (the lowest in the conservative group). So, should Austria be placed in the conservative or in the social democratic group?

We encounter comparable classification difficulties with respect to the other dimensions of the typology, such as the problem of the high degree of universalism of benefits in the liberal countries Canada and Switzerland and the high degree of social democratic regime attributes in the Netherlands. In all instances, Esping-Andersen points to the problematic issues and cases, although he does not always justify well the choices he had to make to ensure that all cases could be assigned to one of the three types, and to one type only.

In any case, Esping-Andersen clearly struggled with the placement of some of the cases in an attempt to meet the 'mutually exclusive' criterion. In fact, in his re-examination of the three worlds typology, he (1999: 73ff.) explicitly inculcates that his was first and foremost a classification device and exercise. He explains furthermore that typologies are useful because they allow for parsimony, may highlight underlying patterns and causalities, and help generate hypotheses that can be tested. He also defends the typological approach against various criticisms.

In trying to answer the question of whether the typology had remained robust and valid, Esping-Andersen (1999: 86) confusingly argued that since typologies 'are, in a sense, ideal types, there are bound to be ambiguous cases' and he mentioned the Dutch case as an example. In the context of the typology method, however, it is not possible and therefore incorrect to label cases as ambiguous. The only thing that might be ambiguous is the way the researcher classifies a case as of a certain type. If it is difficult to categorize a specific case; for instance, because the scores on the relevant dimensions allow for assignment to more than one type, the typology clearly has the problem that it is not mutually exclusive. It is the typology that is ambiguous, not the case.

The problem is that Esping-Andersen is confusing both his typological method with the ideal-type approach and cases with types (see Chapter 28), a misunderstanding subsequently and uncritically reproduced in the literature (Arts and Gelissen 2010: 572ff.; Aspalter 2011; Powell and Barrientos 2011; but see Rice 2013; Becker 2009). An ideal type is a theoretical construct which has no empirical cases that fit any of the types, whereas a typology is a classification device in which all empirical cases must find a place as belonging to one of the types, and to one type only. In a typology, an empirical case either belongs to a type or it does not. In ideal-typical analysis, the question concerns not whether an empirical case fits the theoretical ideal, but the extent or degree to which it does. The question of 'goodness of fit' only makes sense when working with ideal types.

The distinction between a typology and an ideal-type is important, because it helps distinguish between constructive and to-the-point criticisms of the original regime typology and not very useful (because they are ill-conceived) attacks on the three worlds as ideal-types. For example, a

valid criticism would be that the regime typology is not exhaustive because it did not include all the theoretically relevant features of welfare states into the toolbox of classification, including the institution of the family or household and social services (Esping-Andersen 1999: 73), as a result of which it does not capture well the important differences and similarities between the regimes.

Potentially equally valid is the criticism that the chosen dimensions for the construction of the typology make it impossible to classify all the existing cases of welfare states in the correct categories. Castles and Mitchell (1993) proposed broadening the three-way typology by including the so-called wage-earner type that guarantees income through another dimension, namely the wage arbitration system. As a result of the focus on public policies, the three worlds typology underestimated the extent to which the welfare regimes of Australia and New Zealand guaranteed income. They were more de-commodifying and less liberal than Esping-Andersen's classification suggested. Esping-Andersen (1999: 89) admitted this, but argued that, in fact, since the 1990s, this model had been effectively dismantled by large-scale market liberalization, turning these welfare regimes into fully fledged cases of the liberal regime.

Some argued that it would be useful to add a Mediterranean type (Leibfried 1992; Ferrera 1996) because Southern welfare states are special in one dimension: they only have residual social assistance programmes. This point did not convince Esping-Andersen either. Unless the regimes of such countries as Spain and Italy could be shown to have some specific features that the three-worlds classification had not yet picked up, there was no reason to sacrifice parsimony. But the fact that the underdevelopment of social assistance seemed to be an expression of the strong familism of these countries may be a reason to introduce a fourth world. Ultimately, however, this option was rejected for empirical reasons, because the distinction between the conservative and Mediterranean model was too small to be considered germane (but see Ferrera 2010).

Others have taken up the task of developing and expanding the regime typology beyond the world of advanced welfare capitalism by exploring to which extent distinct patterns may be discerned among welfare states outside Europe, North America and the Antipodes. There is a lively debate on the characteristics of an emerging Asian or Confucian regime (e.g. in Japan, South Korea and Taiwan) (see Aspalter 2006; Peng and Wong 2010, and Chapters 19 and 20, this volume), on the distinct trajectory of Latin American public policies and their similarity to the conservative and Mediterranean regime (see Huber and Bogliaccini 2010), and on the possible emergence of a distinct post-communist regime in Eastern Europe and Russia (see Cook 2010). If anything, these debates underscore the heuristic prolificacy of the regime typology.

An ill-conceived criticism of the three worlds typology concerns the argument that the worlds of welfare are far too complicated and have changed too much to be captured by any typology. This is, for instance, the position taken by Schubert *et al.* (2009), who argue that we need to take a step back to a pre-comparative stage so as to be able to document the real complexities of social and welfare policies. As a result, studying the diverse European Union systems of welfare necessarily means studying 27 individual countries on as many variables as possible. That is obviously a step back analytically and, after 27 single-country chapters, Bazant and Schubert (2009) unsurprisingly conclude that there is no such thing as the welfare state and that there is no systematic patterned variation in the key dimensions of spending, financing, actors and 'leitmotifs' (guiding principles). The main conclusion of the exercise is: 'it is neither possible to ratify any of the existing groupings we know from the relevant literature [...] nor to identify clear-cut new clusters' (Bazant and Schubert 2009: 533).

This type of criticism of typological work misses the whole point of what a typology is about: a meaningful reduction of complexity for analytical and comparative purposes. It also misses the point that every typology which reduces complexity does so by necessarily simplifying reality. This is not a disadvantage, but it is what typologies are *meant* to do. Therefore, to accuse a

typology that it does not do justice to the full complexity of empirical reality is entirely beside the point. What we end up with in Schubert *et al.*'s approach is a complete loss of analytical power without any real gains in terms of empirical accuracy.

Conclusion

Esping-Andersen's welfare regime typology has been by far the most influential and fruitful classification and it has been successfully orienting research up until the present day. The original typology was designed with the help of data of around 1980 and made a relatively strong case that there are three worlds of welfare capitalism. There have been many attempts to test the adequacy of the empirical typology with different techniques, the result of which have been mixed and have sometimes indicated the likely utility of additional types.

Do the three regimes still exist? The robustness of the typology has been questioned but also partly corroborated by Scruggs and Allan (2006) using data from around 2000. They found that several countries were misplaced originally and that the coherence within the clusters of countries was less strong than Esping-Andersen proposed. They also concluded that there was limited empirical support for the continuing relevance of the regime classification. This, however, was a surprising inference in the light of the evidence which Scruggs and Allan themselves present. Looking at the data for the late 1990s, it is actually striking how strong the clustering of countries by regime type comes to the fore.

In conclusion, it made perfect sense then as it still does now to reduce the complexity of the very varied worlds of welfare by grouping countries into distinct regimes. Various empirical analyses that make use of a wide range of techniques not only confirm the correct assignment of countries to one of the three types, but also corroborate the robustness over time of the regime clustering. It seems sensible to discuss the usefulness of adding types to the classification scheme or to accept the existence of cases that are difficult to classify. Moreover, decades of social policy reforms may necessitate the development of a new typology (see Danforth 2014; Emmenegger *et al.* 2015). However, it is important to remember that a typological classification has the function of effectively grouping together empirically the many worlds of welfare capitalism and rearranging them into distinct types so as to reduce complexity for analytical and comparative purposes. Nothing more, nothing less.

Note

1 This chapter makes use of Van Kersbergen and Vis (2014, ch. 3).

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