Welfare State Entry and Exit Over the Life Course: 
Stratification and Sustainability in Different Worlds of Welfare

Olli Kangas, Joakim Palme & Markus Kainu

Abstract

During the 25 years since its publication, ‘The Three Worlds of Welfare Capitalism’ by Gösta Esping-Andersen has made a remarkable imprint on contemporary welfare state research. The old worlds of welfare capitalism are however changing and new worlds are emerging. Moreover, new issues have come into the forefront of current research and policy discussions. In the footsteps of Esping-Andersen, we analyse current challenges for old and new welfare regimes in terms of stratification and sustainability. This brings the interplay between employment and the welfare state into focus. First we analyse transitions from school to work, then we examine labour market participation rates of mothers, and finally we have a look at the exit patterns among the pre-retirement elderly. Among the current ‘Worlds of Welfare’, our results show remarkable regime differences in how countries are able to deal with stratification and sustainability over the economic life cycle. Is this a consequence of an inescapable trade-off between stratification and sustainability where policy design is a result of different political preferences? We argue against that and suggest that a ‘variable approach’ could be used for unlocking the ‘regime approach’ in the analysis of welfare state entry-exit patterns and for informing about a new policy agenda for ageing societies.

Keywords: sustainability of the welfare state, life cycle, stratification, poverty

Paper prepared for the SVS seminar at the Swedish Institute for Social Research, Stockholm University, 9 June 2015
Introduction

One of the most influential books in the field of welfare state studies is *The Three World of Welfare Capitalism* by Gøsta Esping-Andersen (GEA). The book caused an avalanche of debates and discussions not only about the nature of different welfare regimes but also about some of the key concepts of the book, not least ‘decommodification’. Much has changed during the quarter century since the book was published but re-visiting *The Three Worlds* is no doubt an interesting exercise. It remains an inspiring treatise on some of the most important issues in political economy of our time. By using concepts such as decommodification, the public-private mix and the social wage, GEA elaborated an analysis of welfare state institutions that was both dynamic and theoretically driven. He observed how the institutional configurations not only conditioned peoples’ behaviours but also shaped inequalities in society. The *stratification* processes he identified clustered countries in a way that made it possible to talk about three worlds of welfare capitalism. We argue that it is the identification of these processes, rather than the particular clustering of nations at the time, which in retrospect is the most profound contribution of the book. What we see as an equally important but less elaborated theme of the book is related to the concept of *sustainability*, an issue which is important to present day welfare states and to which GEA has returned in later publications (e.g. Esping-Andersen et al 2002).

The aim of this paper is to explore what we see as a very promising avenue offered by *The Three Worlds*: the analysis of the various risks that individuals meet over their life cycles. Esping Andersen’s perspective is here integrated with an understanding of how the transformations of employment among the most advanced industrial nations were interlinked in different ways 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, 2002, 2009) on post-industrial labour markets, where female labour market participation, service employment and new entry/exit patterns challenge the prevailing welfare regimes. This brings us to examine what we see as the two fundamental themes of *The Three Worlds*, namely stratification and sustainability, and how they may interact. In this paper, we analyse these themes by exploring new kinds of data for the post-1990 worlds of welfare capitalism.

The solvency of public finances has now reached to the fore in recent debates, and policy-makers seek for approaches for the welfare state to meet new challenges. It is not our purpose to give a fully-fledged in-depth analysis on some specific theme in *The Three Worlds*, rather we want to discuss some recent policy discourses that are important for understanding the challenges for the present-day welfare state. Each of the themes we touch upon is a major subject in literature already and complex enough for a production of a huge pile of papers. In our contribution, rather than analysing one specific aspect in detail, we try to sketch the dimensions Esping-Andersen partly lost on the way from Social Science Research Centre in Berlin (WZB) to the European University Institute in Florence (EUI) in the second half of the 1980s, as he completed *The Three Worlds*. It is an analysis of life-course transitions in different welfare states. The theme has later been worked on by other scholars, notably by Karl Ulrich Mayer (2004).

We start by looking at demographic transitions that challenge the solvency of the welfare state. We cursorily discuss the concept of *sustainability deficit* to describe the severity of fiscal challenges in different countries. Sustainability deficit is looked at from two different angles: from population projections extending to the 2050s and from the concept of life-cycle deficits (LCD). The LCD approach
highlights the interplay between employment and the welfare state; entry and exit patterns in both domains. After that, we first analyse 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 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: from a large sample to the EU-SILC

In the 1980s, there was really 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. As a consequence, the number of identified welfare regimes has increased (see e.g. Aidukaite 2004; Gough 2004; Castles et. al. 2012; Scruggs et al. 2014). The data being produced appear to be bifurcating: OECD has expanded its scope to new countries, among them countries of Southern Europe, former Socialist countries, Mexico and South Korea. Eurostat produces deeper and more extensive information on the EU Member States (which have more doubled in numbers since 1990). In addition to macro-level data, Eurostat also releases individual-level data (the European Union Statistics on Income and Living Conditions – longitudinal micro-data, EU SILC, Eurostat 2013a). The merit of the Eurostat data is that the data is individual and longitudinal allowing new kinds of analyses. The flip-side is that the extensive EU-data excludes non-European countries that were constitutive parts of GEA’s liberal regime.

The emphasis on the life cycle in the subsequent analysis is to be understood against the backdrop of general solvency problems of the European welfare state (see below). Here the concept of life cycle deficits (LCD), which has been developed in the context of the National Transfer Accounts (NTA; see http://www.ntaccounts.org/web/nta/show) project, is a useful tool for bridging the analysis between the macro and micro levels.

In the following, we have, when permitted by the data, ‘expanded’ the number of worlds of welfare to five: the 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 (Figure 5) 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) welfare regimes (e.g. Castles et al. 2012). Depending on the availability of data, the number of countries in each regime may vary. Unfortunately, the LCD figures are so far available only for a handful of countries. We have chosen to be eclectic in our use of data. We first use aggregate measures for a wide variety of countries to map the terrain in life cycle based sustainability. Thereafter we gradually move to use OECD aggregate level data and figures based on the EU-SILC.

This paper’s methodology is exploratory and that we use the regime approach primarily for descriptive purposes. By describing the development of some key variables that capture stratification and sustainability over the life course, we can identify broad patterns with regard to ‘goal-performance’ of different institutional regimes. Regimes are here used as a heuristic device for descriptive purposes to group countries and make comparisons easier. Regimes as such are black boxes that explain ‘too much’ and therefore, they cannot be used as explanatory factors. Instead, we must try to disentangle the variables that unify and separate countries.
Challenges for the welfare state: sustainability and stratification deficits

In *The Three Worlds*, population change was not the main issue. However, when expenditure levels continued to increase in the 1990s, the discussion about new challenges due to the greying population and problematic dependency ratios got a prominent position in the discourse on the future of the welfare state (e.g. Blossfeld et al. 2011; Park 2011; European Commission 2012a; 2014; Vanhuysse and Gorres 2012; OECD 2013).

The projected increase of the share of elderly in the general population will increase demands for income transfers as well as for social and health services. There are a number of indicators aimed at evaluating the fiscal pressures that the population change will generate. One such a measure is the ‘sustainability deficit’, a device used by the European Commission (e.g. 2009 and 2012) to inspect future needs for structural adjustments of public finances in the EU Member States. The concept of ‘sustainability deficit’ – or fiscal gap – pertains to the ability of a welfare state to maintain its current programs, spending levels and taxes in the decades to come. On the basis of these estimates, it is possible to judge what the needs are for immediate and long-term tax increases, or benefit cuts, for maintaining government solvency. The size of the adjustments is expressed as a percentage of the GDP.

Despite all the uncertainties linked to such long-term prognoses, they give some hints about the magnitude of reforms required to reconcile projected revenues with expenditures. Sustainability deficits in Europe vary from the low Hungarian (0.4%), German (1.4%), French (1.6%) and Swedish (1.7%) figures to close to 10% in Belgium. Regimes are not suitable to explain variations in the severity of problems: the deficits among the smallest and largest can be found in some former East-European countries (Hungary 0.5% vs. Slovenia 7.6%; coefficient of variation (CV) among the regime = .93), the same goes for the Central European (Germany vs. Belgium; CV = .64) and Nordic (Sweden vs. Finland 5.8%; CV = .62) clusters. The Liberal regime with high deficit rates (mean = 5.9%) is rather homogenous (CV = .16) (European Commission 2012b, 78).

Cross-sectional projections are one way of looking at the sustainability problems, but they are too static and just give one number of multifaceted phenomena linked to various transitions taking place in different phases of life cycles. A more dynamic approach is offered by the LCD analysis that helps us to place stratification effects in their place in the life cycle and high-light possible sustainability problems – and possibly solutions to the problems – in different countries.

LCD measures economic flows across age groups by summarising how each age group produces, consumes, transfers and saves resources over the life cycle. Flows between age groups are pertinent to the human lifecycle: children and the elderly consume more than they produce. The flows take place via private transfers and public governmental programs. Deficit is quantified by subtracting the value of consumption from the value of production in each age group. The age-related value and size of transfer flows in relation to value of production produce a positive LCD during the dependent years and negative during the working years (Lee and Mason 2011; Riihelä et al. 2011; Lind 2012).

An LCD inspection tentatively reveals regime-specific peculiarities (which were also pinpointed by Esping Andersen). As a rule, in Continental-Europe, the youngsters enter earlier into the labour markets than e.g. in the Nordic cluster, but in contrast, among the older workers there is a trend of earlier exit from employment. The specific problem for many Post-Socialist countries is the late entry into and the early exit from labour markets. The Nordic countries display high deficit values for the very young, indicating
heavy investments in child care facilities, and for the very old, indicating costly public old-age care arrangements (European Commission 2007; European Social Network 2008; OECD 2013c; Da Roit, Hoogenboom and Weicht 2015; [link](http://ntaccounts.org/web/nta/show/Country%20Summaries)).

**Figure 1.** Life Cycle Deficit in a number of countries.

While the less desirable side of public social care consists of extensive public expenditure on required facilities and hence, high tax rates, the more welcome side of heavy investments in public services is high female employment rates, which reduce sustainability deficit. It has been calculated that an increase of one percentage point in the employment rate would decrease the sustainability deficit by 0.7 percent (European Commission 2009). Thus, the level of employment is an important factor for the solvency of the welfare state. Indeed, high employment rates are the corner-stone of the renowned Scandinavian welfare state model (Kvist et al. 2012). Whereas employment problems in the Nordic countries are associated with the youth phase, the issue in Central and Southern Europe is the (too) early exit from the labour markets. In addition, low female labour-force participation hampers the value of production in these countries – which is a challenge for the East-Asia, too. What we argue is that this focus is helpful in terms of identifying policy approaches that are relevant for combating both the stratification (class and gender) and sustainability deficits. These descriptions can be seen as a starting point for more precise analyses of policy designs and as we argue here, for a closer inspection of...
institutional arrangements, i.e., variables that lay behind the differences and how entry and exit transitions to employment and from employment to welfare are organized.

**The transition 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 (Boudon 1974; Shavit and Müller 1998; Müller and Gangl 2003; OECD 2010a; Brzinsky-Fay 2011; European Societies 2014). As shown by Brzinsky-Fay (2014) from the life cycle perspective the transition from school to work is a very complex process and instead of binary status changes there often are multiple parallel status processes going on. In Figure 2 labour market statuses of the 25-30 year old mature youths are displayed. As a rule, that age group has passed education and moved towards labour markets. On the basis of EU-SILC (variable RB010) it is not possible to adequately respond and satisfy the idea put forward by Brzinsky-Fay. It suffices to say that many of the binary categories in the figure may be overlapping (inactive, unemployed, in part-time work, student, taking care of home and care responsibilities ‘Home’). However, the data are good enough to depict a rough picture of the life cycle phase employment patterns among the mature youth in Europe.

Not surprisingly, there are substantial gendered differences as well as substantial variations between countries (and within regimes!) in labour market statuses (Figure 2). Austria, Finland UK, Greece, Italy and many of the post-socialist countries display high inactivity / home care rates for women, which reflects either the lack of child care facilities (post-social countries) or generous / lengthy child care leave systems (Austria and Finland – we will analyse this more in details later on). In the Nordic countries, Italy, Portugal and Slovak Republic a high share of females and males still are classified as students. Not surprisingly, unemployment is a plague for males and females in the South-European and post-socialist countries. The Netherlands and to some extent also Austria, Belgium, Luxembourg, Sweden and the UK have generated high female employment through part-time jobs.

A complementary way of inspecting the transition from education to employment is to look at the employment situation of those who have finished their final education. Figure 3 depicts employment rates for males and females who have taken their exams one and five years ago, respectively. When it comes to those who have graduated a year ago, the gender gap is negligible. It is only in Southern European countries (notably so in Greece, Spain and Italy) where there a visible gender divide. Employment rates in the other countries and under other regimes are relatively gender neutral, 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.
Figure 2. Labour market statuses of the 25-30 year old Europeans 2011 (EU Silc).

This perspective can also be used for opening up the stratification dimension of this transition. While gender is not an important divide in employment one year after the graduation, impacts of various social institutions that create gender differences in family responsibilities and possibilities for employment become more pronounced the longer the time elapsed since graduation (Esping-Andersen 2009). After five years, gender differences are substantial and regime differences are clearly 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 giving up employment or in 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.

(Source: OECD 2008: 72)
Figure 3. Employment rates (%) by gender, 1 year, 5 and 10 years after finishing education.

In addition to gender, educational attainment creates obstacles and sorts youngsters into different positions, as shown in the right-hand panel in Figure 3. Youngsters without upper secondary education have significantly more problems in entering into the labour markets than better educated. On average, less that 50 percent of the youth with low educational attainment were without a job one year after finishing the school. The situation is the worst in Southern Europe (Greece and Italy, in particular) and the Post-Socialist (Hungary and Poland) countries. The ‘stratification deficit’ is a common problem among all countries but the magnitude of the problem differs (Allmendinger 1989; Åberg 2003; Gesthuizen et al. (2011); Schröder and Ganzeboom 2014).

After five years, the situation is better: employment rates are higher after five years than after one year of graduation, but there still are substantial differences between low and high-skilled. Differences are the smallest in Sweden and in the Netherlands. In some cases (Austria and France), employment rates among highly-skilled are lower after five years than they were after one year – something that is related to children and other family responsibilities.
Education is a social investment and likely to be the most important stratification mechanism in the developed world. In 2011, almost half of the 15 – 29 year age group participated in education and close to 40 percent were already employed. There was a group of young persons (10 – 20 percent of the age group) who were involved neither in employment, nor education or training, the NEETs. (see e.g. http://www.oecd.org/education/skills-beyond-school/EDIF%202013--N%C2%B013%20%28eng%29--FINAL.pdf) Although we can also here trace country-related variation, there are clear welfare-regime-related patterns. The NEET problem is the smallest under the Nordic and Continental European regimes (5% unemployed and 6 percent inactive). On the other end of the continuum, we have the Southern European regime with a NEET-rate of 22 percent (13 % unemployed and 9% inactive). The Liberal (16% for the UK and 22% for Ireland) and the Post-Socialist (16%) regimes are between these extremes (see also ILO 2013: 90). The social gradient in the NEET-rates is an apparent and obvious example where stratification and sustainability deficits intersect.

Economic crises and growing unemployment have made it difficult, in particular for those with low educational attainment, to find jobs. The best results are achieved in countries that combine school and work through various kinds of apprenticeship programs. The question mark here is related to the pattern of early retirement in countries with these kinds of educational regimes. Universally open and equal education and training systems (that do not create dead ends), in combination with flexible labour market institutions, produce the best results in terms of activity rates – whether we deal with young, mature or older labour force (Lundvall and Lorentz 2012). If the policy makers want to create the ‘best of all worlds’ where stratification and sustainability deficits are reduced simultaneously they should reconsider the design of educational systems.

**Employment of mothers**

One of the main criticisms against The Three Worlds was that the book was gender blind. It was argued that the construction of the decommodification index was based on male production worker and failed to describe the situation among women. As a response to the criticism, GEA published a number of less ‘gender-blind’ books (e.g. 1999; 2001 and 2009). As the discussion on life cycle deficits showed, for the sustainability of the public finances it is important to increase employment rates not only in the beginning and in the end of work career, but it is also important to increase labour-force participation rates in the middle of the work career of women in particular. Thus, it is decisive how easy it is to unify work and family (see e.g. Leira 2002; Gornick and Meyers 2005 and 2009; Mandel and Semyenov 2006; Prince Cooke 2011; Hobson 2013).

The work-family relationship affects the solvency of welfare state in two ways. First, high fertility rates have its long term impact upon a stable demographic structure and old-age dependency ratio. As GEA (2009) puts it, good family policy is the best pension policy. In the developed world, there are substantial differences in fertility: whereas fertility rates are the highest under the Nordic and Liberal regimes (close to 2), they are somewhat lower in Central Europe (1.7), much lower in Southern Europe (1.3) and in East-Asia (Japan 1.4 and Korea 1.3; or close to 1 in Hong Kong and Macau (World Bank 2013). There is a strong correlation between fertility rates and female labour force participation rates among the richer 30 OECD countries ($r = .63**$ in 2010). Thus, work-family reconciliation has doubled positive effects on sustainability of the welfare state: high fertility and high employment.

Second, 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).
In the 1980s a M-shaped labour force pattern was prevalent in the Central-European, Liberal and also East Asian countries, a sharply peaked pattern dominate in the in South Europe, while the Nordic pattern followed the upside-down U-formation. Traditionally, having children in Southern Europe led to giving up employment (Esping-Andersen 2009; Mandel and Shalev 2008 and 2009), which was reflected in the peak employment figures for females in the 20-24-years age bracket, whereafter, in later age groups, the employment rates sharply diminished. 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-enter into employment (see e.g. Stier and Lewin-Epstein 2001).

**Figure 4.** Female labour-force participation rates (%) according to age under different welfare states in 2010.

![Figure 4](image)

Sources: OECD 2010; OECD 2013a

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 ([http://ec.europa.eu/europe2020/pdf/themes/31_labour_market_participation_of_women.pdf](http://ec.europa.eu/europe2020/pdf/themes/31_labour_market_participation_of_women.pdf); OECD 2013b; Esping-Andersen 2009: 84-85). However, the size of the penalty depends on the age of the youngest child. Whereas in Denmark and Sweden the age of the child does not play a major role in the mothers’ employment levels, in some other countries – notably so in the Post Socialist countries, Southern Europe and in Finland – employment rates of mothers whose child is younger than 3 years of age are very low. The variations depend on the institutional solutions in child caring that to some extent follow the traditional regime lines but again, the regime as such is not a sufficient explanatory factor. A comparison Denmark and Sweden vis a vis Finland shows that one variable can make a difference in outcome. In principle in all the three Nordic countries there are universal claim right to public day care but a Finnish peculiarity is an extensive use of the cash-for-care option (home care allowance) and almost all (84%) parents use it (see figure 5). While the utilization as such is not linked to socio-economic
characteristics, the length of the spells correlates with education and family status. Mothers with high educational attainments and mothers with spouses have shorter spells than single mothers and mothers with low-education.1

Thus, from the labour market perspective and poverty prevention, home care responsibilities may be problematic. First, long leaves weaken mothers’ labour market position: the longer the spell the greater the impact. Second, since the low-income groups and single mothers tend to have lengthy leaves, their labour market position in particular is weakened. Third, the leave period deteriorates future pension rights – which in turn, lead to higher risks of old-age poverty among women. Of course, the severity of cuts in pensions depends on the length of the absence from the labour market. The Three Worlds paid attention to the gendered stratification effect the welfare states have, but the book did not analyse the duration of family-related absences from the paid labour. The EU SILC compilation 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 5). However, it is important to recognize that not only are child care responsibilities lying on the shoulders of the mothers but also all other forms of care are the responsibility of women.

Whereas in the previous figures 2 and 3 the scope was on the small child phase in the life cycle, figure 5 depicts female care responsibilities along the whole life span 20 to 65 years of age. As can be seen, in the Czech Republic, Estonia, Finland, Hungary, Poland the UK the most intensive periods of care concentrate in the age brackets 25-45 years of age. In the Czech Republic and UK the absence spells tend to be somewhat longer. In Denmark and Sweden spells are very short and the care responsibilities are more or less evenly distribute over the life course. The Southern Europe and the Benelux countries – particularly Luxembourg – display their own patter where family-related care tasks substantially increase with age and simultaneously the spells of absence became much longer.

Figures 3 to 5 indicate the strong gender-based stratification effect the welfare state institutions have in entry-exit patterns (Esping-Andersen 1999; 2001 and 2009; Korpi 2000; Mandel 2012). In the family policy area, there is a dual process going on (e.g. Ellingsæter and Leira 2006; Ferrarini 2006; Lewis 2012). On one hand, female labour-force rates are getting higher but, on the other hand, in more and more countries fathers have their specific paternity-leave schemes and daddy quotas leading to more gender-neutral division of family responsibilities. This process has gone longest in Scandinavia, where mothers are liberated to work, and fathers are liberated to take on care-responsibilities at home (Hobson 2002). However, this is apparently an unfinished revolution. As long as the parental leave schemes are not designed as individual rights, it appears unlikely that the remaining gender differences will disappear not only in entry-exit patterns on the labour market but also in pay gap and career opportunities. These gaps continue to exhibit gender deficits, which goes in an opposite direction to the superior performance of women at all levels of the education systems in so many of the most advanced industrial nations. This suggests that policy makers should think outside the box of the current institutional design if they want to simultaneously reduce the stratification and sustainability deficits.

1 https://helda.helsinki.fi/bitstream/handle/10138/45390/Tyopapereita58.pdf?sequence=1, 28 and 37.
Figure 5. Female labour force status “taking care of family-related care responsibilities” (%); duration of care-related absences from the labour market according to age.

Source: The authors’ own calculations based on the EU-SILC micro-data.

Labour market exit: stratification and sustainability

In *The Three Worlds*, GEA takes up the issue of early exit from the labour market of ‘older’ workers (notably pp. 150 ff.). He observes the common trend of decreasing (male) participation across regimes but points to the very large variation between regimes (along the common downward trend). He then challenges the two dominant views in the research that has focused either on benefit generosity of the pension systems or on unemployment levels to explain the variation in time and space and instead
suggests that the most important source for the cross-national variation is to be found in the interaction between high unemployment and generous benefits. This is why the Continental European countries show very high exit rates, whereas the equally generous Nordic countries do not. While GEA’s analysis has some elegance, it is fair to say that it is brief and suggestive rather than confirmatory. Moreover, he does not elaborate much either on the stratification or on the sustainability themes of the exit patterns, which, after all, constitute a fundamental change for employment policy.

Now the world is changing again. Since 1990, the trend towards earlier exit has been broken in most countries. Another of the silent revolutions identified by Esping-Andersen is feeding into this: the increased female labour-force participation. Figure 6 provides data for a small number of countries, but they illustrate 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, but if it had not been for the increased female participation rate it 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.
Figure 6. Employment participation rates of elderly (60 to 64 years of age) workers in OECD countries.

(Source: OECD 1992; 2010b and 2012)

This is also related to some of the concluding remarks that GEA makes in the last chapter of the book. The Achilles’ heel of the Swedish / Nordic model is the tax ceilings to be met by a model that is maintaining full employment by largely relying on part-time female public employment. What he is underestimating is the magnitude of the silent revolution: to an increasing degree, women are working the same hours as men, and that will have consequences for the tax base. The common trend towards increased labour force participation will satisfy the ambition to decrease the sustainability deficit and of good reasons on could suppose that the same goes for the stratification deficit: one can expect that the increased female labour force participation diminishes the risk of poverty in all age groups. On the basis of the EU-SILC we calculated the poverty rates and the duration of poverty spells for the 15 to 85 age groups in 5 year intervals. We used the 60% of the median income for the entire population as the poverty threshold (Figure 7).

The general pattern is that the overall poverty rate increases with age, perhaps Luxembourg is an exception of the pan-European trend. However, in Luxembourg poverty spells seem to be longer that in
most of the other countries. In the Nordic countries, notably so in Finland and Sweden (and to some extent also in the Netherlands, France and Greece) the poverty curve is bipolar. The first poverty peak takes place in the age bracket 20 to 30 years of age. The explanation is that in the Nordics students form their own households and their income levels remain below the poverty threshold (due to low level of universal study grants and the fact that study loans are not classified as income). The sunny side is that poverty in this age group is temporary whereas is a long-term plague among the very old.

When we analysed the incomes situation for the pre-retirement elderly using the Luxembourg Income Study (LIS) (data not shown here), we found that, for those who had remained on the labour market, poverty rates were by and large following country averages both in the mid-1980s and more recently (around 2005). However, among those who have no earnings, poverty rates are higher among the ‘pre-retirement elderly’ (aged 55 to 64). The effect of employment exit appears to be dependent, in different ways, on what kind of social security system serves as a safety net for the household. Those who can rely on a retirement income are generally better off than those who rely on social insurance benefits, who in turn are better off than those who rely on social assistance. Moreover, the relative income, poverty and inequality among those who are outside paid employment exhibit many differences among the countries considered here. These differences, by and large, follow from the differences in social policy institutions. High coverage as well as high benefit levels of social insurance programs reduce inequality in all three respects mentioned above. When it comes to the inequality outcomes, in the mid-1980s, countries clustered fairly well according to The Three Worlds. More than two decades later, the inequality patterns prevail to an extent that would surprise even regime-dependent scholars. In countries with typically flat-rate benefits, such as Ireland and the UK, poverty rates have risen particularly fast. Also the high poverty rates among the Nordic elderly may come as surprise. However, one must bear in mind that here he poverty measures totally relative to average incomes. Thus, it reflects the income distribution. If we had used the 40% of median as an indicator, the Nordics had done much better displaying poverty rates below 5%. The same goes for the measure where the 60% median income and material deprivation is simultaneously used to measure poverty. Then Denmark, Finland, Iceland, Luxembourg, the Netherlands and Sweden display the lowest poverty risks in all the age categories.

Hence, with regard to ‘economic sustainability’ the changes over the past decades, by and large, go in the right direction. It has apparently been possible to break the downward trend in labour force participation among men in pre-retirement age, and the underlying trend towards higher participation among women is also pushing up participation rates among women between the ages 55 and 64 in most countries. The picture is less positive when it comes to inequality indicators (social sustainability): in some countries, poverty rates in this age group have seen large increases for those outside employment. Given the ongoing tightening of contribution conditions for old age pensions and considering the qualifying conditions for invalidity benefits in many countries, there appears to be a stratification deficit building up in this exit phase of the economic life cycle. Considering the systematically worse health conditions of women in this age group, there is an obvious gender bias in this process. Still, to judge from the low poverty rates among non-employed pre-retirement elderly in some of the European countries, there appears to be policy instruments available that can deal with the short term stratification deficits, without jeopardising the economic sustainability.
Figure 7. Duration of poverty spells according to age (EU SILC).

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 sustainability of the welfare state have taken the floor and, consequently, decommodification has given way to ‘recommodification’, i.e. 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 old to continue to work. The shift in focus is problematic if we lose sight of the stratification dimension, especially since
inequalities have been on the increase for decades and has given rise to deep policy concerns (e.g. OECD, 2011). Here the different regimes struggle with partially the same, partially different problems. Under the Nordic / Social democratic regime, the expansion of state employment in the social service sector not only facilitated female employment but also helped maintaining high employment and equality in more general terms. However, expansion of this kind of employment requires tax funding, and this works as long as it is seen as a deferred wage, otherwise the tax burden will erode competitiveness via wage inflation. What hence comes out as a very clear issue is the macro-economic constraint stemming from failures to impose wage moderation. Furthermore, from the life-cycle deficit perspective, the crucial point in the Nordic countries is to facilitate school-to-employment entry. The Central European / Conservative and Southern European regimes face the problem of how to expand female labour-force participation and prolong employment careers. The Liberal regime is wrestling with increased inequalities in incomes as well as labour market conditions.

Secondly, the notion of ‘Three worlds’ of welfare capitalism is less valid today than a quarter a century ago. This has to do with two different processes. One is that the three ‘old’ regimes have changed in some important respects, due mainly to the modernization of family policy and activation in labour market policy. The other one is that the old world of the 18 OECD countries is changing by extension of the OECD and of the EU. This implies a number of new emerging worlds of welfare capitalism. The ‘Latin rim’ of Southern Europe was first to be labelled, but we argue that the ‘Post-Socialist’ world has increased the variation even more, and perhaps it is time to talk about a specific ‘Asian regime’, with South Korea as the clearest case accompanied by Taiwan, Hong Kong, and Macau (Kwon 2005).

Even if countries still cluster in regimes, the increased variation within regimes and partial convergence between them has motivated a move of the research strategy towards a more variable and program-specific approach (Palme 2006). But here it is important to follow in the footsteps of Esping Andersen and analyse the interactions between different programs and look for institutional complementarities (cf. the ‘Varieties of Capitalism school of thought’, Hall and Soskice 2001). Here the concepts of stratification and sustainability appear to be particularly useful in terms of sorting out fundamental goal dimensions. That economic sustainability is about both labour supply and labour productivity should be fairly straightforward, judging from the - admittedly sketchy - data that we have presented in this paper. The social sustainability of welfare states is dependent on how well they combat poverty and inequality, while also having positive feedbacks on the economic sustainability via human capital formation in broad terms (and hence on labour supply and productivity).

Among the current Worlds of Welfare, our results show remarkable regime differences in how countries are able to deal with both stratification and sustainability over the three different phases in the economic life cycle we studied. Some would argue that this is a consequence of different political preferences in how to deal with the underlying trade-off between stratification and sustainability. We suggest that such an interpretation is the result of an unintended intellectual consequence of the ‘Three Worlds’, that of countries being locked into old regimes unable to learn from others. In contrast to this approach, we argue for a variable approach that could be used for unlocking not only the analysis of welfare state entry-exit patterns but also to inform about a new policy agenda in ageing societies. But then we need to think beyond The Three Worlds and apply its core concepts in a deeper analysis of the current real worlds of welfare capitalism.
We have illustrated how countries differ when it comes to critical phases in the economic life-cycle. 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, educational and labour market policies work together is an important lesson from *The Three Worlds*, and we should make good use of that lesson if we want to benefit from ‘best practice’ in research. In the end, the lesson is about designing policies that can foster equality and sustainability simultaneously. What in this context appears as the forgotten dimension of the sustainability of the regimes has to do with the political dimension of the sustainability concept. This was the central message of *The Three Worlds*. In this respect, we would argue that little has changed. The critical issue, which still remains an open question, is how political coalitions can be created and maintained in post-industrial societies.
Bibliography:


European Societies (2014) Special Issue on School-to-Work Transitions, *European Societies* 16 (2).


http://www.oecd.org/education/skills-beyond-school/EDIF%202013--N%C2%B013%20%28eng%29--FINAL.pdf

http://ntaccounts.org/web/nta/show/Country%20Summaries


OECD (2011) *Divided We Stand: Why Inequality Keeps Rising*, Paris: OECD.


OECD (2013c) *Good Life in Old Age*, Paris: OECD.


