



State of the Union Address | Palazzo Vecchio

Key Points

- Since the Second World War, European Welfare States have been highly successful in virtually eliminating old-age poverty, enabling universal access to health care, and establishing a basic social safety net. Europeans express high levels of solidarity.
- Welfare State Futures depend logically upon the treatment of children, youth and immigrants. This requires social investment, including human capital investments and investments in the social services. Social services create jobs and increase tax revenues.
- Rising inequality, divergence of risk structures within and between nation states, public perceptions of unfairness and injustice in welfare state policies, and the rise of populism all currently threaten social solidarity and social investment.
- The European Union can support nation states in strengthening solidarity by focusing on investment rather than austerity, providing an action plan for the European Pillar of social rights, and developing a European public philosophy that clearly communicates the moral purpose of European policies in a manner that is ethically plausible to the individual citizen.

Research Results from the NORFACE Welfare State Futures Programme

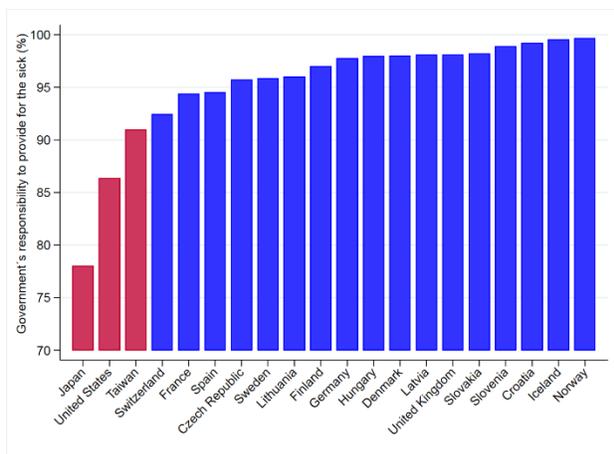
NB: This lecture on “Welfare State Futures: What role for solidarity?” draws on the work the NORFACE Welfare State Futures Programme. This research programme is funded by NORFACE, a consortium of 19 European Research Councils, with additional funding from the European Commission. The Welfare State Futures programme supports the work of 60 principal investigators grouped into 15 cross-national projects stretching across Europe. (<https://welfarestatefutures.org/>)



European Welfare States and Solidarity

The welfare state is one of our key institutions for fostering social solidarity. As in the case of the European Union—although there were certainly earlier beginnings—the welfare state is post-war institution, and a constituent part of the postwar settlement. And like the EU, now that the welfare state has been so successful, people are starting to wonder, Why do we have it? Is it worth it? Why should we pay for this? Let me start by reminding us of some of the welfare state’s key accomplishments. Welfare states have virtually eliminated old-age poverty. People tend to have forgotten what it was like in the 1930s and 1940s. The situation of older persons is unrecognizably changed. Throughout Europe, access to healthcare is as good as universal. We have basic social safety nets in place for unemployment, disability, invalidity and poverty. There is still work to be done, especially in the areas that have been termed ‘new social risks’ such as precarious work, child care and support for families, early and life-long education and training. And I will come back to this. But for my first point, let me state that the welfare state is a singular European accomplishment. And as we can see, Europeans are highly solidaristic: large majorities support the propositions that governments should care for the old and the sick. Smaller, but still significant majorities support governmental support for the unemployed.

Solidarity in Europe¹

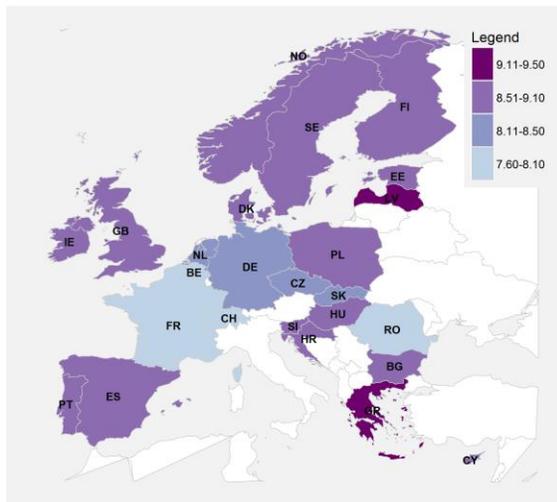


¹Source: ISSP Role of Government 2016

Survey Question: “On the whole, do you think it should or should not be the government’s responsibility to provide health care for the sick? a) Definitely should be; b) Probably should be; c) Probably should not be; d) Definitely should not be”

Bars represent the percentage of individuals in each country who answered a) Definitely should be or b) Probably should be. Design weights applied.

Solidarity in Europe²



²Source: European Social Survey 2008

Survey Question: “On a score of 0-10 how much responsibility you think governments should have to ensure adequate health care for the sick? Rating out of 10 where 0 Not governments' responsibility at all, and 10 Entirely governments' responsibility”

Average calculated per country. Design weights applied.

But is European Solidarity Sustainable?

Here, we have to look more closely at types of welfare states and public opinion. In a nutshell, the future of the welfare state will depend on how much democratic publics are willing to contribute, and what precisely they are willing to support. Most critically, welfare state futures will depend upon how welfare states treat children, young persons, and immigrants, and thus on social investment, with a strong focus on social services.³ Social investment is essential for improving human capital, including in the social services. Social services create jobs and increase tax revenues. We know now that equality begins even before birth, and this is precisely what social investment can combat.

Currently, we can identify three sets of threats to social investment and social solidarity.

1 Rising inequality

Why does this undermine solidarity? Current as well as historical research has decisively shown that what people support is not redistribution but risk sharing. That is, insurance against risk. Consequently, the larger the group that perceives itself to share a common risk, the stronger the commitment to solidarity and the stronger the support for the welfare state. If risks become parcelized, then support wanes. Thus, the key thing is whether citizens see themselves as sitting in the same boat, or as divided amongst different boats.

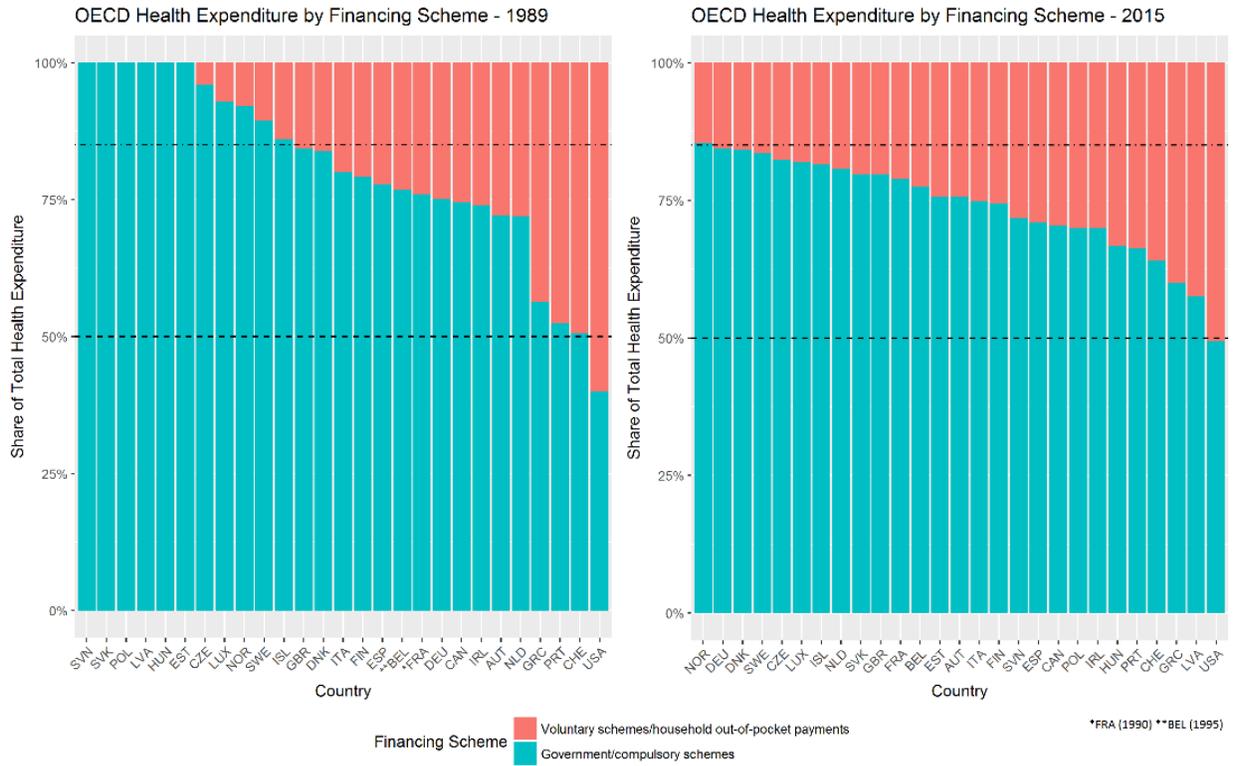
³ Anton Hemerijck, *The Uses of Social Investment*, Oxford: Oxford University Press, 2017.

Health

This effect can be seen in health systems. Since the late 1980s there have been major movements towards private financing for healthcare and increased competition from private providers and private insurers. Particularly in Eastern and Southern Europe, we have seen an increase in out-of-pocket payments and private insurance coverage. In order to assess the impact of these changes, we have focused in our research on people that actually switch from public to private coverage or that take out additional private coverage. We find a clear decline in solidarity, in their support for the welfare state, and their political outlook becomes more conservative. Importantly, however, universal health institutions do not need to be state institutions: we find indeed a slightly higher positive effect on support for health equality in compulsory health insurance systems (whether private or public) than in state-centered systems. The key point is that solidarity is fostered when people see themselves as part of a common set of institutions, contributing together, and receiving equal treatment.⁴

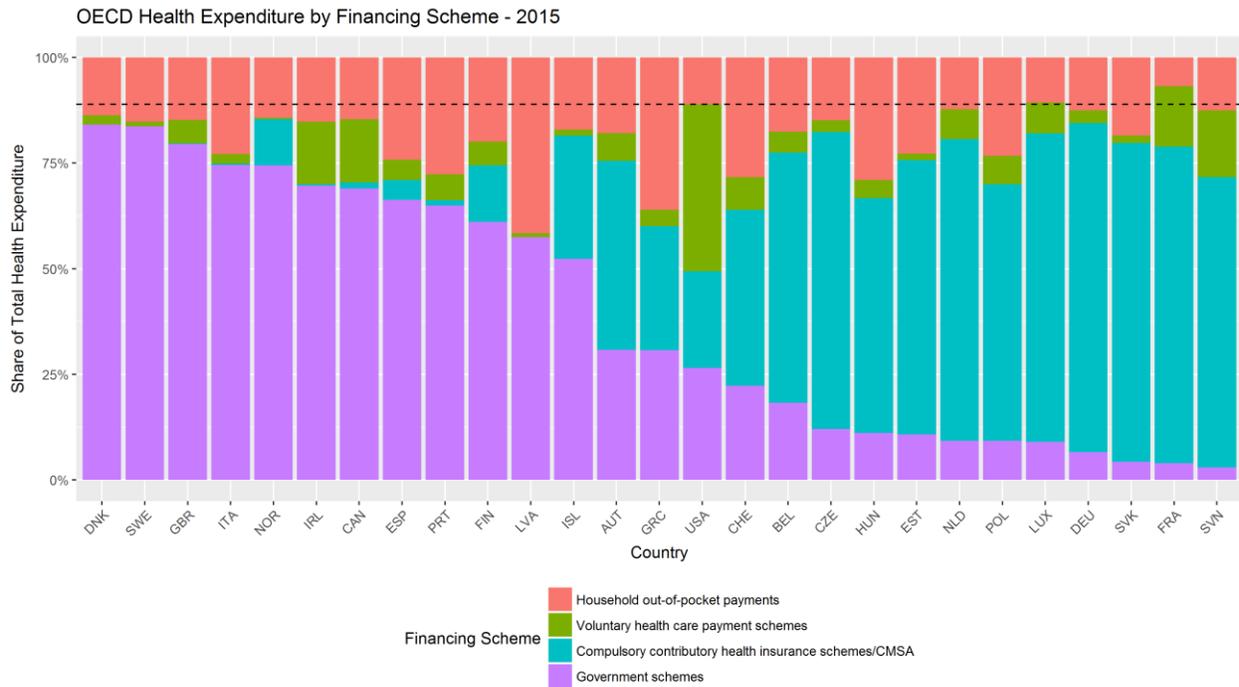
⁴ Burlacu, Diana. 2018. "Turning right? Feedback effects of private insurance on partisanship," 25th International Conference of Europeanists, Chicago, 28-30 March; Burlacu, Diana, and Ellen M. Immergut, 2017, "Welfare State Institutions and Welfare State Attitudes: Using Privatization to Gain Causal Leverage on the Problem of Attitude Formation," WSF Thematic Workshop "The Social Legitimacy of our Future Welfare State," University of Gothenburg, Sweden, 22-24 February; Immergut, Ellen M. and Simone Schneider, 2018, "Is it Fair for the Rich to Purchase Better Healthcare? The Role of Healthcare Institutions in Legitimizing Inequality," 25th International Conference of Europeanists, Chicago, 28-30 March.

Public and Private Medical Expenditure 1989 – 2015⁵



⁵ OECD (2018) "Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database), <http://dx.doi.org/10.1787/data-00349-en> (accessed on 07 May 2018).

Health Care Expenditures by Financing Source 2015 with US Out-of-pocket as comparison standard⁶



⁶ OECD (2018), "Health expenditure and financing: Health expenditure indicators", OECD Health Statistics (database), <http://dx.doi.org/10.1787/data-00349-en> (accessed on 07 May 2018).

Political Economies

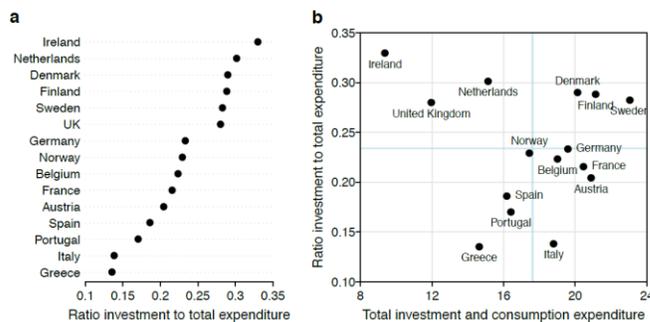
The impact of inequality is equally relevant for political economies. As wage dispersion increases, support for the welfare state decreases, and mainstream parties from both left-of-center and right-of-center reduce their promotion of welfare state policies. However, at the individual level, higher income persons are willing to pay more for insurance against social risk. This is because as their income rises, higher income persons are generally less exposed to social risks, but become increasingly risk averse and can afford to pay more for insurance against social risks.⁷ These effects are also relevant at the international level. In countries and regions—in particular the Nordic countries—high synergies have developed amongst social investment, welfare states and economic growth, while in others, wage dispersion and cleavages between labor market insiders and outsiders have resulted in higher social consumption, less social investment and lower growth.⁸

In sum, the higher the inequalities within European countries and between European countries, the greater the risk of the erosion of social solidarity. Although we see that there is indeed potential support for risk sharing when higher income groups and countries recognize their exposure to risk.

⁷ Erling Barth, Erling & Karl Ove Moene, (2016), *The Equality Multiplier: How Wage Compression and Welfare Empowerment Interact*, *Journal of the European Economic Association*, ISSN 1542-4766, 14(5), s 1011- 1037, doi: 10.1111/jeea.12163; Erling Barth, Henning Finseraas, & Karl Ove Moene, (2015), “Political Reinforcement: How Rising Inequality Curbs Manifested Welfare Generosity,” *American Journal of Political Science*, ISSN 0092-5853, 59(3), s 565- 577, doi: 10.1111/ajps.12129; Erling Barth, Henning Finseraas, Kalle Moene, and Kjersti M. Ostbakken, “Insurance or Redistribution Motives? Behaviors and Beliefs in the Welfare State,” *WSF Working Paper Series, GIWES #1/2015* (June 2015). <https://welfarestatefutures.files.wordpress.com/2017/05/wsf-working-paper-giwes-1-june-2015-final.pdf>;

⁸ Erling Barth & Karl Ove Moene, (2015), “Missing the Link? On the Political Economy of Nordic Egalitarianism,” pp. 50-68 in ed. Torben M. Andersen, U. Michael Bergman & Svend E. Hougaard Jensen, *Reform Capacity and Macroeconomic Performance in the Nordic Countries*, Oxford University Press, ISBN 978-0-19-871710-2; Pablo Beramendi and Daniel Stegmueller, “THE POLITICAL GEOGRAPHY OF THE EUROCRISIS,” 2018, under review.

The Ratio of Investment to Consumption and Relationship to Total Expenditure ⁹



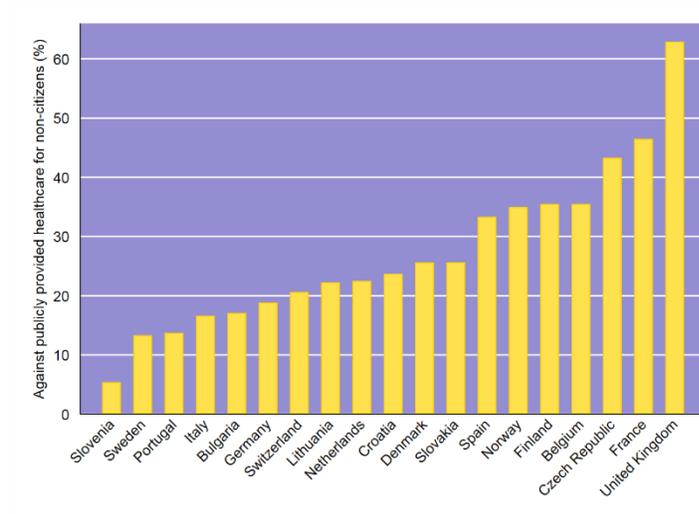
⁹ Pablo Beramendi and Daniel Stegmueller, "THE POLITICAL GEOGRAPHY OF THE EUROCRISIS," 2018, under review, p. 19.

2 Fairness, Justice, and Recognition.

Innovative methods have allowed WSF researchers to find out more about the factors that affect solidarity. One of these is the use of **Democratic Forums** in which participants deliberate and make policy suggestions on welfare state issues.¹⁰ Although support for welfare states and solidarity is generally high in Europe, these discussions revealed quite different conceptions of solidarity, notions of who is deserving of solidarity, and what the future will look like. In some countries, like the UK, the future outlook was highly pessimistic, while in others, such as Norway, participants felt that the welfare state was resilient, although steps would be needed to maintain sustainability in the future. Some of the key issues were perceptions of unfairness regarding privileged treatment, disagreements on contributory justice, concerns with abuse of social benefits, and the rights of non-citizens to medical treatment and social benefits. Indeed, support for providing social benefits to non-citizens varies considerably across Europe.

¹⁰ Heejung Chung, Peter Taylor-Gooby and Benjamin Leruth (2018) "Political Legitimacy and Welfare State Futures: Introduction", Special Issue in *Social Policy & Administration: "Political Legitimacy and Welfare State Futures"*; Taylor-Gooby, Peter, Heejung Chung and Benjamin Leruth (2018) "The Contribution of Deliberative Forums to Studying Welfare State Attitudes: A United Kingdom Study" Special Issue in *Social Policy & Administration: "Political Legitimacy and Welfare State Futures"*; Zimmermann, Katharina, Jan-Ocko Heuer and Steffen Mau (2018) "Changing preferences towards redistribution: How deliberation shapes welfare attitudes" *Social Policy and Administration*; Maša Filipovič Hrast, Ellen M. Immergut, Tatjana Rakar, Urban Boljka, Diana Burlacu and Andra Roescu (2018), "Health Care Futures: Visions of Solidarity and the Sustainability of European Health Care Systems," chapter 7 in Peter Taylor-Gooby and Benjamin Leruth (eds.) *Attitudes, Aspirations and Welfare: Social policy directions in uncertain times*, Palgrave.

Opposition to Publicly-Provided Healthcare for Non-Citizens¹¹



¹¹ Source: ISSP Health and Health Care 2011

Survey Question: How much do you agree or disagree with the following statement: People should have access to publicly funded health care even if they do not hold citizenship of [country]. a) Strongly agree; b) Agree; c) Neither agree nor disagree; d) Disagree; e) Strongly disagree.

Bars represent the percentage of individuals in each country who answered d) Disagree or e) Strongly disagree. Design weights applied.

Migrants' Views on the Welfare State

In light of these concerns, our research on the attitudes of migrants to the welfare state is telling. Migrants neither demand nor use social benefits to a higher extent than natives. Instead one needs to control for income, education, and country of origin before drawing conclusions. Migrants should thus not be considered as a homogeneous group. As their attitudes appear to be highly related to attitudes in their country of origin, social integration of migrants will be critical if one expects future generations to support social solidarity at current levels, and to support social investment. Levels of support for spending on old-age pensions and healthcare, for example, are lower than levels reported for natives. Support for childcare and other social services seem to depend highly on attitudes towards gender and family. Those with conservative family and gender values show lower levels of support for spending on childcare, healthcare and elderly care.¹² Thus, while on average migrants might approve retrenchment on pensions to support expanded childcare and active labor market policies, support for these investment policies will depend upon the family values of migrants, and the countries that they come from.

¹² Lubbers, Marcel, Claudia Diehl, Theresa Kuhn and Christian Albrekt Larsen (2018) "Migrants' Support for Welfare State Spending in Denmark, Germany, and the Netherlands" Special Issue in Social Policy & Administration: "Political Legitimacy and Welfare State Futures".

Lab Experiments

The basis for social solidarity has also been probed with experiments. When making choices about whether to cut the level of benefits or the conditions for benefits, Norwegian subjects differed based on their partisan affiliations, with left-wingers preferring to cut benefits, and right-wingers preferring to make conditionality more stringent. This seems to be related to ideological framing, with right-wingers interpreting unemployment as being caused by lack of effort, while left-wingers see this as being caused by bad luck.¹³ Thus, underlying concepts of justice and fairness are key for evaluations of policy options and support for welfare state beneficiaries.

What we see from these studies is that a normative framework is central to people's attitudes about the welfare state. If retrenchment or recalibration efforts are communicated in an ethically plausible way, democratic publics can accept these measures and even support them. But we see that there are deep pockets of dissatisfaction and perceptions of unfairness in European welfare states. This constitutes both an opportunity and a challenge for political leadership. First, we see that framing by the media and by political parties makes a relatively large impact on how democratic publics interpret the actions of government and how they evaluate these actions. Second, we have found democratic publics to be highly responsive to government actions.

Natural experiments

Let me give you an example from two natural experiments. In the middle of periods when surveys were being conducted, governments in Sweden and Germany introduced waiting time guarantees. This allowed us to compare levels of satisfaction with the health system before and after the introduction of these guarantees. Surprisingly, evaluations became more positive immediately after the implementation date of the guarantees, even before there had been any actual reduction in waiting times.

¹³ Cappelen, Alexander W., Cornelius Cappelen, Stein Kuhnle and Bertil Tungodden (2018) "How to Retrench the Welfare State: Attitudes in the General Population" Special Issue in Social Policy & Administration: "Political Legitimacy and Welfare State Futures".

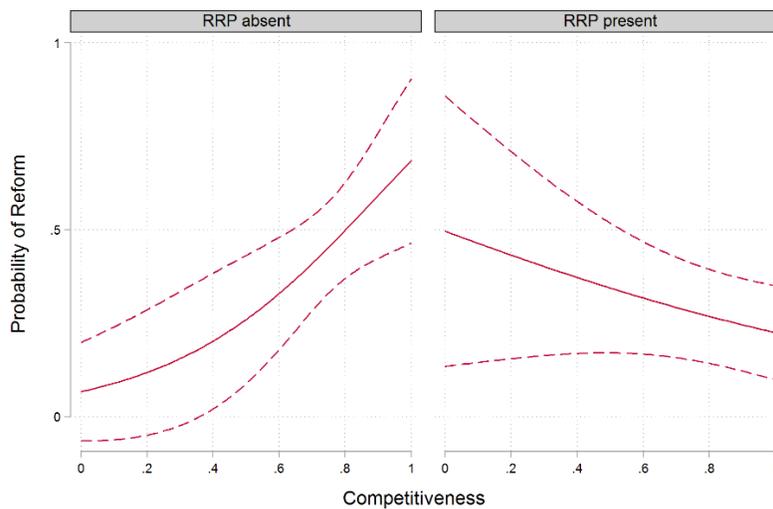
We interpret this as evidence of a ‘recognition effect.’ Citizens and residents appreciate rights because they like to be recognized by government. This has a normative value for them, beyond any material considerations.¹⁴ This is thus an opportunity for political leaders to reach out to democratic publics, but it is also an opportunity that has been squandered. And this brings me to my third threat.

3 Populism

The factors mentioned above have culminated in a third threat. Increasing inequalities, centripetal forces in Europe, and legitimacy problems in welfare states have paved the ground for populism. Against this background, it is increasingly recognized that both right-wing and left-wing populism have emerged from sitting governments and mainstream parties’ unsuccessful political communication regarding austerity and migration, and to Europe’s responses to a series of crises. We are seeing this backlash now, not at the height of austerity, not at the height of the great recession, and not really at the height of the migration crisis. It is coming later, as populist parties have been able to mobilize voters that appear to feel relatively deprived and angry that they have made sacrifices without recognition of their problems and difficulties, and that the burdens have been distributed unfairly, while others are unjustly rewarded.

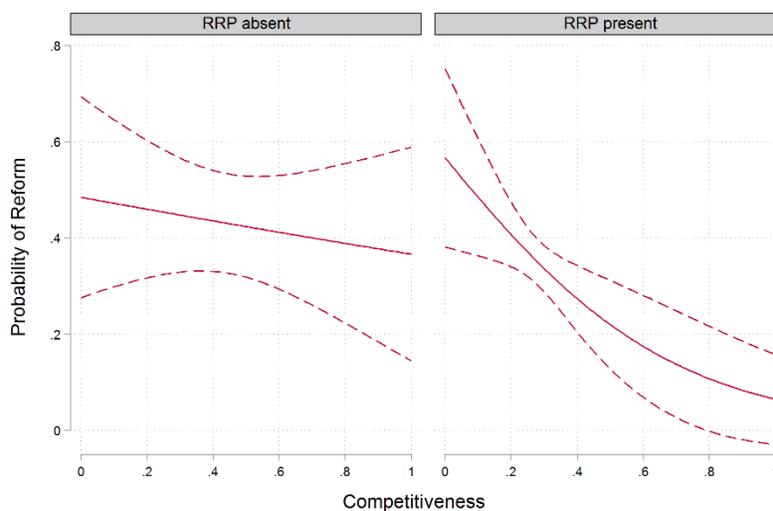
¹⁴ Burlacu, Diana, Ellen M. Immergut, Maria Oskarson and Björn Rönnerstrand (2018) “The Politics of Credit Claiming: Rights and Recognition in Health Policy Feedback” Special Issue in *Social Policy & Administration: “Political Legitimacy and Welfare State Futures”*.

In our research, we have found that specifically right-wing populism is a threat to social investment, because when faced with right-wing challengers, mainstream parties on both the left and the right reduce social investment and conserve social consumption policies. As electoral competition increases, left governments increase their social investment activities at the expense of social consumption, but in the presence of a right wing challenger, this tendency disappears. This effect is even stronger for conservative governments, who actually decrease their reduction of social consumption as electoral competition increases. We interpret this effect as a response to electoral competition for culturally-conservative working-class voters, who prefer social consumption policies. In the presence of a right-wing competitor, this effect is greatly exacerbated.



Predicted probabilities of pension rights change for left governments conditional on RRP presence

Tarik Abou-Chadi and Ellen M. Immergut, 2018, "The New Partisan Politics of the Welfare State: Electoral Competition and the Social Investment-Social Consumption Trade-off," under review.



Predicted probabilities of pension rights change for right governments conditional on RRP presence

Tarik Abou-Chadi and Ellen M. Immergut, 2018, "The New Partisan Politics of the Welfare State: Electoral Competition and the Social Investment-Social Consumption Trade-off," under review.

Conclusions

Let me come now to my conclusions:

- Welfare States are a success
- They are a tried and true social institution
- They foster social solidarity and political inclusion
- But, national Welfare States have been weakened and are faced with threats

European leaders cannot merely relegate solidarity to the member states. The member states themselves need the support of Europe. It is not my place to provide a solution to all of Europe's problems. But I can provide the diagnosis that Europe has a major problem of legitimacy, and that a key institution that fosters solidarity and legitimacy – namely, the welfare state – has been harmed. The key imperative must be to find ways to foster social investment. In this regard, current European discourse is moving in a positive direction. In particular, the introduction of the European Pillar of Social Rights was a positive step, because as we have shown, democratic publics appreciate being recognized through rights. However, at some point, these rights need to be made good on. Above all, we need a European Public Philosophy. I take this term from Theodore J. Lowi, who in his book, *The End of Liberalism*, defined a public philosophy as “meaningful adversary procedures [to] formulate general rules applicable to individual acts of state and at one and the same time ethically plausible to the individual citizen.”¹⁵ Lowi's complaint was about the American system of government, and the unacknowledged constitutional change brought about by the New Deal, which delegitimized American public debate, and which he saw as the core of a malaise in American politics and public policies. But I think we can apply his critique to the current situation in Europe. In Europe, we have many rules, but also many exemptions from these rules. This hurts the legitimacy of Europe. Lowi argues that if the rules no longer fit, one must debate the rules themselves and revise them, rather than allow ad hoc exemptions from these rules. To be sure this is extremely difficult within the framework of the European legislative process. Nevertheless, it is the key to the future political legitimacy of Europe. With regard to Welfare State Futures, the European Pillar of Social Rights can provide an opportunity for bolstering social solidarity in Europe. But we need a clear plan for how this should be implemented at the level of the member states, and that is clear and ethically plausible to the individual citizen. This is what European citizens expect. This is what European citizens deserve.

¹⁵ *End of Liberalism* 1969, p. 84, Cited in Ellen M. Immergut, “Institutional Constraints on Policy,” in *The Oxford Handbook of Public Policy*, ed. M. Moran, M. Rein and R. E. Goodin, (Oxford: Oxford University Press, 2006), 557-571, p. 563.

A European Public Philosophy

“meaningful adversary procedures [to] formulate general rules applicable to individual acts of state and at one and the same time ethically plausible to the individual citizen”

The End of Liberalism
Theodore J. Lowi