

**The Development of Welfare States
in Europe and America**

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Chapter 2

Modernization, Democratization, and the Development of Welfare States in Western Europe

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Introduction

The evolution of the welfare state is obviously related to a great variety of social developments and changes. One of our main tasks thus consists in attempting to construct a theoretical framework that systematizes and relates these processes. In Part I of this chapter the concept of modernization is examined since it emphasizes the multidimensionality and interrelatedness of developmental processes. From this analysis of modernization, a sectoral model is developed that poses some relationships among socioeconomic and political developments and the evolution of welfare state policies and institutions. More specific hypotheses are then elaborated on the basis of Stein Rokkan's theory of European political development.

The modern European welfare states really began in the last two decades of the nineteenth century. Part II of this chapter describes these beginnings through examining the introduction of social insurance systems throughout Europe and the growth and structural change of public social expenditures in three countries. The later growth of the European welfare states is compared mainly through the evolution of the social insurance systems that are of central fiscal and institutional importance.

Finally, Part III here attempts to explain the emergence of these systems through the socioeconomic processes of industrialization and urbanization as well as through the political developments of suffrage extension and parliamentarism. In addition, the possibility of diffusion processes, an idea studied in more detail in Chapter 4, is analyzed.

I. Theoretical Considerations in the Development of the Welfare State

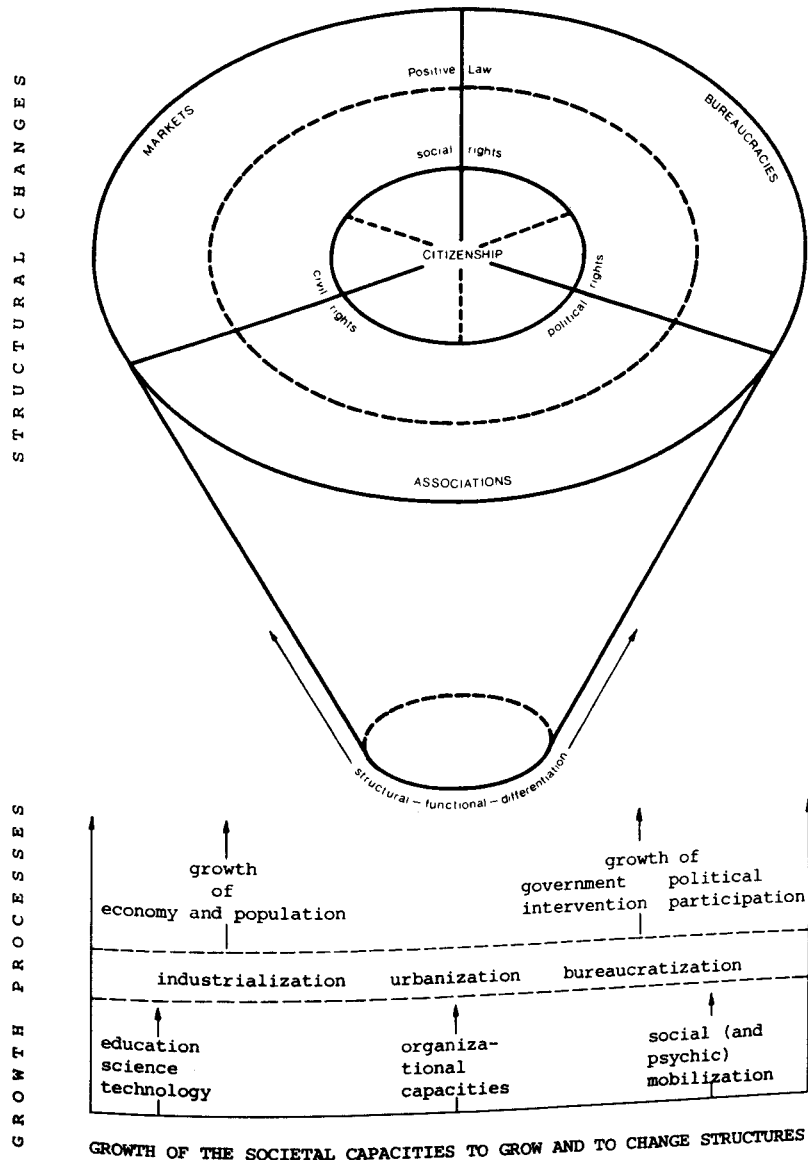
A. Classical Concepts and an Analytical Framework of Modernization

The concept of modernization has largely replaced the traditional concept of development as well as superseded more specific concepts such as industrialization and democratization.¹ Despite its vague and ambiguous meaning, modernization has one salient characteristic that makes it interesting for our analysis: an emphasis on the multidimensionality of societal development, or the assumption of causal interrelationships among economic and population growth, social and psychic mobilization, political development, cultural change, and the transformation of the international economic and political order. Figure 2.1 illustrates the relationships among some of the basic concepts of modernization. The main distinction is between general growth processes and structural changes, which are institutional as well as organizational. Growth processes are related to two different capacities: the capacity to grow, the core of which is the economy, and the capacity to change structures, the core of which is the polity. This may be understood as a generalization of Marx's distinction between the growing and relatively flexible forces of production and the relatively inflexible relations of production. The rigidity of social organization may either encourage or impede the growth of the productive forces, thus producing strains and conflicts.

In the tradition of Durkheim, structural-functional differentiation is the fundamental process characterizing modernization. This increasing specialization and fragmentation is intimately related to the processes of growth and affects all social structures, activities, and individual lives. Fundamentally, differentiation involves a loosening of ascriptive bonds and a growing mobility of men, goods, and ideas. It leads to the development of extensive networks of exchange and greater disposable resources.² As differentiation advances and breaks down traditional forms of social organization, it changes and exacerbates the problem of integration, which was Durkheim's main interest. He suggested two types of solutions to this problem: integration through mechanical solidarity based on affinity of values, beliefs, and sentiments and through organic solidarity that simultaneously weakens the impact of social segmentation and strengthens the impersonal interdependence of individuals. We follow here Parsons' cri-

Figure 2.1
An Analytical Framework of Modernization

TRANSFORMATION OF THE INSTITUTIONAL AND ORGANIZATIONAL STRUCTURES



GROWTH OF THE SOCIETAL CAPACITIES TO GROW AND TO CHANGE STRUCTURES

tique of Durkheim³ that these two solutions to the problem of integration do not represent two distinct stages of development, but coexist in modern societies.

In modern, highly differentiated societies the mechanical element of integration lies in the core institution of citizenship. This has been formulated most clearly by T. H. Marshall: "Citizenship is a status bestowed on those who are full members of a community. All who possess the status are equal with respect to the rights and duties with which the status is endowed."⁴ Marshall distinguishes between three elements of citizenship: a civil element, providing the rights to ensure individual freedom; a political element, centered in the right to participate in the exercise of power; and a social element, primarily constituted by the right to share a minimum level of economic welfare, social security, and cultural heritage. The process of differentiating the basic rights and the institutions giving access to them has been accompanied by geographical integration, or a "nationalization" of the specialized institutions. "Citizenship is by definition national."⁵ Of course, the sequence, form, and degree of institutionalization of citizenship rights have varied widely from country to country and still do.

Besides the core integrative institution of citizenship, modern Western European societies have developed three regulating organizational structures: markets, which organize the exchange of economic resources and commodities; associations, which organize the articulation, aggregation, and representation of interests; and state bureaucracies, which organize the fulfillment of collective tasks. There are specific relationships between these three organizational sectors of modern societies and the basic rights of citizenship (see Figure 2.1). Civil rights are related to markets (the right to own property and to enter valid contracts, free choice of work and residence) as well as to associations (freedom of speech, thought and faith, right to assemble, and freedom of association). They guarantee a sphere of public opinion, that together with political rights forms the legal basis for the development of interest groups and political parties and for the evolution of parliaments symbolizing the associative character of society itself. But political rights are also related to state bureaucracies, since the right to participate in the exercise of political power only has meaning when the governing power of parliament is established. Finally, social rights are also related to state bureaucracies and to markets. Originally, they were provided through membership in local communities or functional associations. On the national level, the right to a minimum level of economic welfare and social security developed successively through the regulation (labor legislation), supplementation (social security systems), and replacement (social services) of markets by state bureaucracies. With respect to the social right to share in the cultural heritage market elements usually were

replaced much earlier through the establishment of public schools and the institutionalization of compulsory education.

Within this framework then, the development of the welfare state may be analyzed according to at least the following three aspects:

1. the processes of differentiation (the differentiation of individual and household income, of working and living place) creating specific labor market problems that must be solved by the state;
2. the evolution of social rights as a consequence of (or compensation for) the institutionalization of political rights;
3. the increasing control, substitution and supplementing of markets (and to some degree of associations) by state bureaucracies.

B. Modernization and the Welfare State: A Sectoral Model

1. Problem Pressure: Changing Socioeconomic Conditions and Political Mobilization

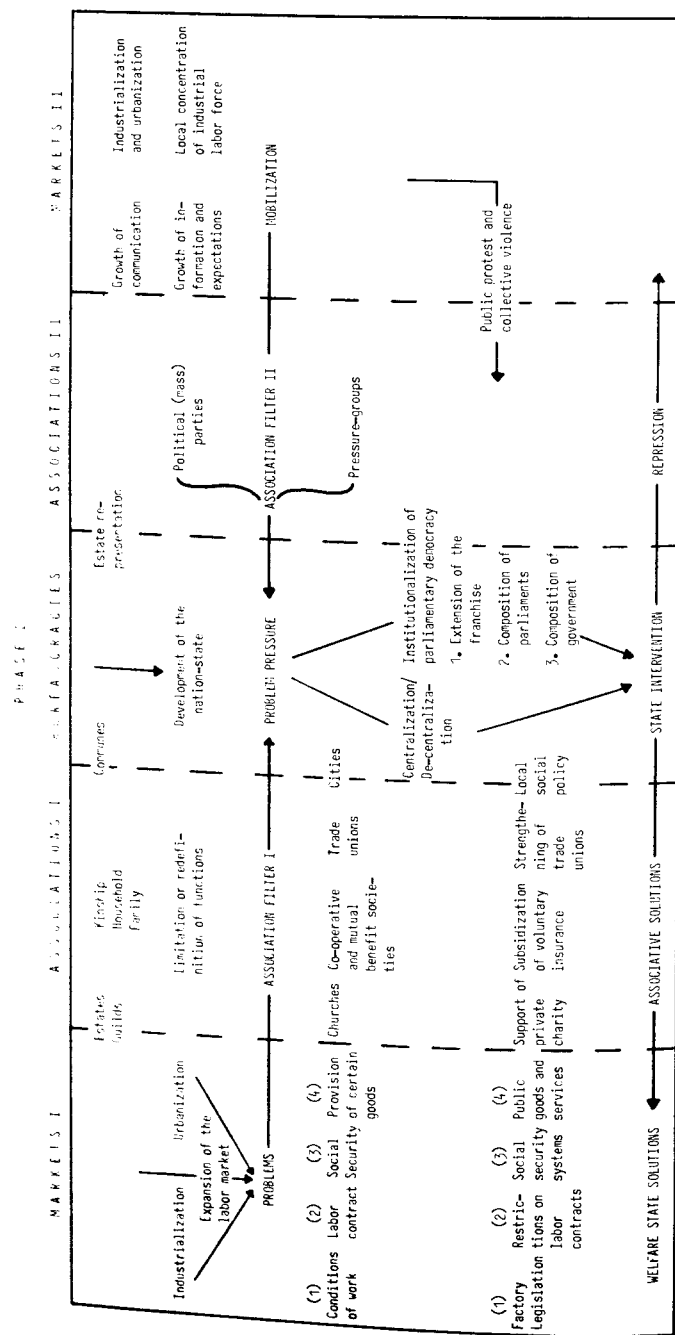
The distinction between markets, associations, and state bureaucracies as the three main organizational sectors of society is used now to draft a sectoral model of the development of welfare states (see Figure 2.2). In the model, markets and associations are further divided into two subsectors. In the first subsector of markets (I) those developmental aspects creating specific welfare and security problems are summarized. The second subsector of markets (II) includes the developmental aspects assumed to lead to social mobilization processes. In the first associative subsector (I), associations in the widest sense are included that are concerned with welfare and security problems independently of the state. The second subsector (II) embraces those associations that mobilize political support and articulate demands for welfare assurances from the state.

Under Markets I four main problems generated by industrialization and urbanization and affecting the immediate associations of family and household are specified:

1. changing working conditions (for example, industrial accidents);
2. the development of a free or unrestrained labor contract (for example, child labor, working hours);
3. income security for disabled persons without property (sickness, invalidity), for those not or no longer engaged in the productive process (children, housewives, old persons) or for the unemployed;
4. the provision of certain (public) goods by controlling, supplementing or substituting for private markets (housing, health, to some degree education).

These problems are in turn assumed to create an objective problem pressure. To assess the intensity of the pressure directly exerted on the government, however, the activities of those associations that respond to

Figure 2.2
A Sectoral Mode of the Development of Welfare States



these problems, such as churches and private charity organizations (poor relief), mutual benefit and cooperative societies (insurance, housing) and trade unions (unemployment assistance) must be considered. This association filter will often greatly modify and typically diminish the objective problem pressure. For example, the countries with strong Protestant state churches developed early a notion of state responsibility for public welfare, whereas in the religiously mixed and Catholic countries the tradition of private charity and the principle of subsidiarity, giving priority to the responsibility of smaller collectivities, remained strong. Thus, differences in the existing associative structures and their historical development may explain some of the differences in the development of the welfare state.

Under Markets II, at least two developments may have been responsible for mobilizing major parts of the population: (1) the concentration of the labor force in cities, industries, and enterprises as a consequence of industrialization and urbanization and (2) the growth of information and expectations as a consequence of expanding communication. This social mobilization may find its political expression in various unstructured forms such as public protest and collective violence or in institutionalized forms like voting, unionization, and the creation of political parties and interest groups.

Since the origins of the modern welfare states are closely related to the "social question" and the labor movement, differences in the strength and coherence of working class parties and trade unions are most important for explaining variations in welfare state developments. To some extent, differences in the strength of labor movements are a function of religious, linguistic and/or ethnic cleavages that might have deflected attention and support from class issues and retarded the development of welfare states. Alternatively, strong working class internationalism may have also impeded welfare state developments by factionalizing the working class movement, above all by dividing socialists and communists and thus decreasing opportunities to gain executive power.

The problem pressure thus consists of two elements: the objective problem pressure and the pressure generated by social and political mobilization. The distinction between these two aspects is not merely analytical, since the effects of both can vary widely as discussed in Part III. Nor does this suggest that governments simply act in response to pressures; they may not act at all or they may anticipate some of the problems and act to prevent their full realization.

2. The Shaping of State Intervention: Bureaucracy and Democracy

The intervention of governments in response to or in anticipation of the problem pressure historically involved several alternatives. One concerned the relationship between welfare state policies directed toward solving

social problems and police state policies designed to repress political mobilization processes. In practice, of course, these alternatives were often combined. Their clear differentiation is possible only with the establishment of modern welfare and police institutions compared to the earlier institutions of a poor police and a health police. A second major alternative lies in the way governments tried to solve social problems. They could choose between direct intervention through labor legislation, factory inspection, the establishment of compulsory insurance systems, and the provision of public goods (housing, health, education) on the one hand and associative solutions through subsidizing private charity and voluntary insurance and strengthening trade unions on the other. The result was probably greatly influenced by the political strength of existing associations and the efficiency of their programs.

At a more general level, government intervention has probably been shaped predominantly by two basic developmental processes: first, the creation of state bureaucracies and thus administrative capacity. An early and strong bureaucratization and centralization may have promoted welfare state development because of greater government resources and strong paternalist traditions. It may also have thwarted efforts to institutionalize democracy and thus impeded welfare state development. Second, the creation of mass democracies reflected by constitutional developments (the introduction and extension of suffrage and the legal or de facto enactment of parliamentary responsibility) and power shifts (composition of parliaments and governments) are of major importance in the development of government intervention. Of course, additional factors to explain differences in the development of welfare states could be cited, particularly cultural values underlying the definition of welfare responsibilities and standards and the long-term growth and cyclical fluctuations of economic resources and public revenues.

In following sections, we are primarily concerned with the relationship between the growth of mass democracies and welfare state policies, since sufficient information on the growth of state bureaucracies is still largely missing for most European countries. Furthermore, it is important to note that while this model points to possible relationships between factors influencing the development of the welfare state, it does not sufficiently specify their extent and character. This is especially true for the relationships between the objective problem pressure and the associative structures, and their combined impact on government responses. There is hardly any theory from which to formulate a systematic set of hypotheses about the relationships between socioeconomic development and the evolution of welfare states. With respect to the processes of political mobilization, organization and institutionalization (see columns 3 and 4 in Figure 2.2),

however, we can utilize Stein Rokkan's theory of European political development to formulate more specific hypotheses.

C. Rokkan's Stage Model and the Evolution of the European Welfare States

Stein Rokkan's theory⁶ attempts to integrate various approaches to the study of political development to explain the growth of the European national states, their external consolidation, and their internal restructuring (or consolidation). It essentially consists of two parts: first, a theoretical conception of stages of political development; second, empirical typologies which try to explain variations in these respective stages (for example, in territorial consolidation, the introduction and extension of suffrage, cleavages, and party systems).

1. Stages of Political Development

Rokkan distinguishes four stages or problems of political development that may form relatively distinct phases or may coincide and even cumulate to cause developmental crises. The first two phases are primarily thrusts from the center toward the periphery, attempting to subject it to military-economic (state formation) and cultural (nation building) control and to create subjects (of the king and later the state). The last two stages originate predominantly from the periphery toward the center and are aimed at an internal restructuring through the extension and redefinition of citizenship (participation and redistribution):

1. *State Formation* or the development of fiscal and military states. This phase involves political, economic and cultural unification at the elite level, the creation of organizations for the mobilization of resources (tax bureaucracies), the consolidation of the territory (armies) and the maintenance of internal order (police and army).
2. *Nation Building* or the building or growth of national states. This phase refers to the establishment of direct contacts between the elite and larger sectors of the peripheral population through conscript armies, schools, mass media, religious and linguistic standardization.
3. *Participation* or the development of mass democracies and the establishment of citizenship through the equalization of political rights. This phase includes growing participation of the peripheral population, the institutionalization of civil and political rights (franchise, parliaments), and the creation of political parties.
4. *Redistribution* or the development of welfare states and the establishment of social citizenship through the redistribution of resources, goods and benefits. This phase involves the creation of public welfare systems (social security, health, education, housing) and public policies for the equalization of economic conditions through progressive taxation and transfer payments.

A primary question is how the development of the first three stages has created general conditions that either promote or retard the development of welfare states. The relationships posed in the preceding section can be viewed now with respect to variations in these phases: these include variations in the early creation of state bureaucracies that are closely related to the problems of territorial consolidation (state formation); variations in old cultural cleavages (nation building) that later may have detracted from "welfare issues"; and variations in the structure of party systems, particularly in the strength and coherence of working class parties (participation).

2. Institutional Variations

We are particularly concerned with the growth of mass democracies and their consequences for the evolution of welfare states. In general, the introduction and extension of the franchise and the legal or de facto enactment of parliamentary responsibility will probably create a setting promoting the development of the welfare state. This is because opportunities increase for economically disadvantaged groups to articulate, aggregate, and represent their interests and demands, and eventually to gain executive power. More specific hypotheses about the establishment and nature of welfare institutions, however, seem dependent on the interaction between these variables:

Table 2.1
Enfranchisement, Parliamentarism, and Social Rights

Parliamentary regime	LIBERAL DEMOCRACIES	MASS DEMOCRACIES
	Public assistance as <u>disqualifying alternative</u> to political (and civil) rights	Social rights as <u>democratic corollary</u> of political rights and as consequence of party competition for votes
Non-parliamentary regime	CONSTITUTIONAL-DUALISTIC MONARCHIES	
	Poor relief as <u>paternalistic responsibility</u> for needy 'subjects'	Social welfare as <u>authoritarian defense</u> against (full) political citizenship and as consequence of a competition for loyalty
	Limited (manhood) suffrage or estate representation	Extended (manhood or adult) suffrage

Hypothesis (1) Constitutional-dualistic monarchies with a limited suffrage or an estate representation are likely to develop relatively undifferentiated and localized systems of poor relief in the paternalistic tradition of bearing responsibility for needy and obedient subjects. Benefits are based on charity, not entitlement. They usually are in nonmonetary form and restricted to persons unable to work. These regimes maintain or even extend poor relief in response to growing social needs, but they do not introduce more differentiated systems based on entitlement.

Hypothesis (2) Liberal democracies with a limited suffrage based on property, tax, or social status tend to restrict government intervention in general and public assistance in particular. They may even reduce welfare expenditures despite growing social needs. They are likely to maintain or develop relatively undifferentiated and localized systems with benefits usually restricted to persons unable to work. They oppose obligatory schemes, but may subsidize voluntary mutual benefit and other associative efforts. Public assistance receivers are disqualified as political citizens.

Hypothesis (3) Mass democracies are more likely to develop extended, differentiated and centralized welfare systems based on social rights and obligatory contributions. They are more predisposed to do so than liberal democracies or monarchies with limited suffrage because they face a stronger and more organized working class and a greater competition for the votes of economically disadvantaged groups and because working class parties have greater opportunities to gain executive power. Within mass democracies, however, great variations may result from differences in the party system, above all the strength and coherence of the working class movement, as well as from differences in the development of state bureaucracies.

Hypothesis (4) Constitutional-dualistic monarchies with extended suffrage are most likely to develop more extended, differentiated and centralized welfare systems based on obligatory contributions and entitlements because of stronger paternalistic and bureaucratic traditions and greater autonomy from middle-class pressures opposed to public welfare activities. They face greater organized pressures from the working class that lead to the development of welfare institutions as a defense against full participation rights and as a means to strengthen working class loyalty for the authoritarian state.

This fourfold classification thus produces a simple typology of institutional settings that may promote or retard the development of welfare states and produce specific variations in public welfare institutions. Since

all European countries in the last hundred years can be associated with more than one of these types, their welfare institutions at any given point will show the influence of varying developments. These hypotheses will be tested, at least partially in Part III, since variations in the institutional development of mass democracies are probably most relevant for explaining the different beginnings of the European welfare states until World War I. Thus, we shall now turn to a descriptive discussion of these early differences.

II. A Comparative Description of European Welfare States

A. The Beginnings of the Modern Welfare State

While the modern welfare state is a product of the last ninety years, it has an important early history. Gaston Rimlinger⁷ has convincingly demonstrated the need to distinguish between two phases of this "pre-history": the "Poor Law" period from the sixteenth to the eighteenth and nineteenth centuries and the "Liberal Break" of the nineteenth century. Poor relief became a matter of national concern in the sixteenth century with the emergence of national states and economies. It was a "relief of the poor within a framework of repression." However, the poor laws contained an element of reciprocal social responsibilities, but they were much more reliant on punishments than on relief. The reciprocal social responsibilities mainly referred to the relationship between individuals and their local communities, since the execution of the national poor laws was left to local authorities.

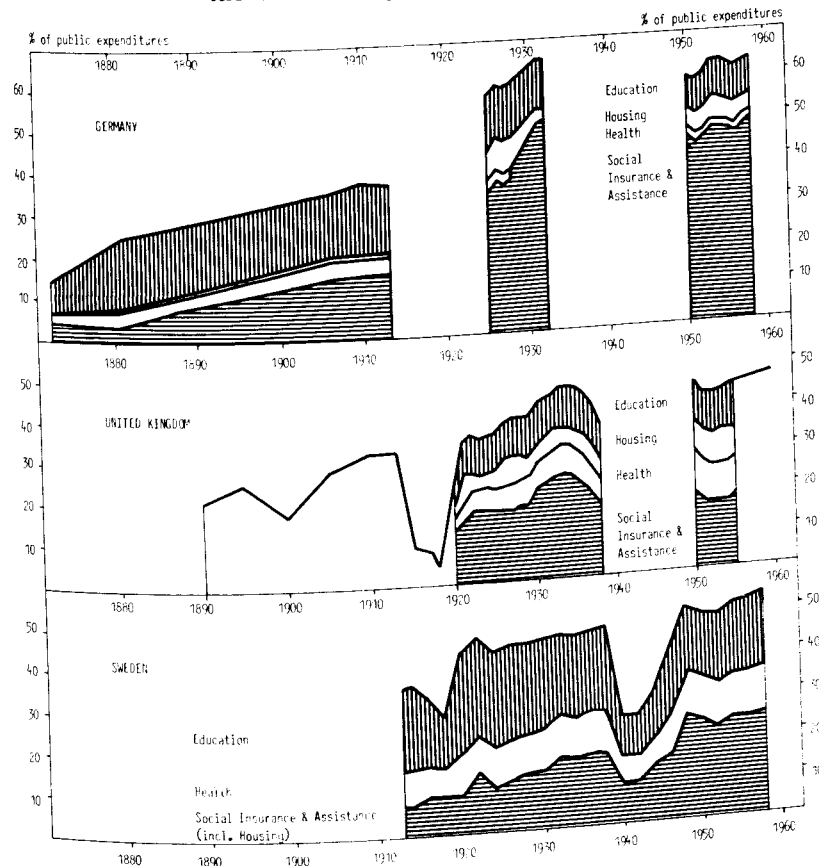
Whereas the old European welfare states developed very similarly during the poor law period, the liberal break produced many divergences. The core ideas of liberalism — individualistic freedom, equality, and self-help — were antithetical to the former concepts of dependence and protection. The importance of this second phase lies primarily in the coincidence of new social problems created by industrialization and urbanization with an emerging philosophy that facilitated the destruction of old protective institutions.

1. The Take-Off Period

The take-off of the modern welfare state occurred in the last two decades of the nineteenth century. We use two measurements to delimit this break-through: the increase and structural change of public expenditures with respect to social welfare (social expenditure ratio), and institutional innovations (above all, the institutionalization of social insurance systems). Here, the long-term development of public social expenditures can only be illustrated for three countries for which longitudinal studies are already

available: Germany, the United Kingdom, and Sweden.⁸ However, they reflect the average level and variation in Europe at the turn of the century, since Germany then had a comparatively high ratio of public social expenditures to GNP and the United Kingdom one of the lowest.

Figure 2.3
The Development of Public Expenditures in Germany,
the United Kingdom, and Sweden



Between the turn of the century and the end of World War II, the ratio of public expenditures to GNP roughly tripled in the three countries. As Figure 2.3 illustrates, social expenditures disproportionately shared in this tremendous increase: in Germany the proportion of social expenditures in the budget rose from about 30 percent to 62 percent, in the United Kingdom from about 20 percent to 47 percent, and in Sweden from about 30

percent to 53 percent from the beginning of the century to 1960. This steady increase was curbed only in times of war, and accelerated during economic depressions.

The trend and time pattern of social expenditures has been predominantly shaped by social security outlays in the sense of transfer payments for social insurance and public assistance. Although the structure of expenditures cannot be given for a common base-year at the start of the century for all three countries, Figure 2.3 illustrates that these payments have absorbed an ever increasing share of the budget. The widening scope of income redistribution through social transfer payments thus seems to be the most significant structural change in the development of social expenditures and of public expenditures in general.

This may justify our concentration on social insurance legislation as the basic institutional breakthrough of the modern welfare state. Four main social insurance (or security) systems developed in relation to different risks: industrial accidents; sickness (and invalidity); old age (and invalidity, survivors); and unemployment.

2. The Break with Liberalism

Although there is no uniform sequence in the establishment of these four systems, in general, social insurance for industrial accidents came first, unemployment insurance last, with the other two systems in between. This can be shown by determining the sequence of the first laws establishing compulsory systems for each of our twelve countries. Table 2.2 summarizes the total and average ranks, as well as the first, last, and average year of introduction (see also the list of laws in Table 2.4). The year of the first law establishing a compulsory or voluntary subsidized system appears in brackets.

Table 2.2
Sequence of Introduction for the Four Social Insurance Systems

	Sequence of introduction: ranks					Non-compulsory	Year of introduction		
	1.	2.	3.	4.	average		first	last	average
ACCIDENT INSURANCE	7 (6)	2 (4)	1 (2)	2 (-)	1.8 (1.7)	-	1884 (1884)	1971 (1911)	1914 (1898)
SICKNESS INSURANCE	2 (5)	4 (2)	5 (3)	1 (2)	2.4 (2.2)	1	1883 (1883)	1963 (1963)	1923 (1906)
OLD-AGE INSURANCE	3 (1)	5 (4)	3 (5)	1 (2)	2.2 (2.7)	-	1889 (1889)	1946 (1946)	1922 (1912)
UNEMPLOYMENT INSURANCE	- (-)	1 (2)	3 (2)	8 (8)	3.6 (3.5)	4	1911 (1906)	1967 (1974)	1930 (1917)

This sequence may tentatively be explained by the degree to which the introduction of each system represented a break with the liberal ideas concerning the assignment of guilt and responsibility among individuals, groups, and the state. The break with liberalism lay above all in the principle of compulsory insurance as well as in the recognized amount of state (financial) responsibility. In comparison, the break with patrimonial traditions was much less vivid, lying primarily in the principle of individual legal entitlements that is from the liberal tradition.

The introduction of accident insurance or workmen's compensation constituted the least radical break with liberalism since it could be rationalized by redefining the old idea of liability for individually caused damages. Two aspects of employers' liability, however, represented a clear break rather than a mere redefinition. The first was that industrial accidents were increasingly viewed as an inevitable element of industrial production, thus weakening the notion of guilt (with its reliance on court trials) and introducing the principle of automatic compensation for the loss of earnings through work injuries. The other aspect was that the individual liability of employers usually was replaced by a pooling of risks among all employers of an industrial branch. Of our twelve countries, five introduced workmen's compensation schemes first (Belgium, Denmark, France, Sweden, the United Kingdom) mandating employers to provide relief, while the other seven started with compulsory insurance schemes (Austria, Finland, Germany, Italy, the Netherlands, Norway, Switzerland) that, today, all countries possess.

Providing security against risks of nonoccupational origin (sickness and old age) that could not be viewed as individually caused damages constituted a much deeper break with the liberal tradition. Both of these risks at that time were the main causes of poverty and destitution, and their mitigation required the commitment of much greater financial resources than were needed for the compensation of industrial accidents. The primary object of sickness insurance, whether compulsory or only subsidized, was to provide cash benefits in the event of lost earnings due to nonoccupational sickness. The degree of substitution between private (subsidized) and public (compulsory) schemes seems to have been somewhat higher for sickness insurance than for old age insurance. This is suggested by the fact that six countries introduced subsidized voluntary sickness insurance schemes that usually were retained for long periods and reached comparatively high coverage (high coverage: Denmark 1892-1933, Sweden 1891-1947, Switzerland 1911 ff; low coverage: Belgium 1894-1944, France provisional 1852-1930, Italy 1886-1928), whereas only three countries introduced subsidized voluntary old-age insurance (Belgium 1900-1924, France provisional 1856-1910, Italy 1898-1919) with only Belgium reaching a higher level of coverage. Pension insurance schemes usually group

together three different risks of long-term character: invalidity, old age, and the death of the family breadwinner (survivors). Of these, old age has generally been the first (together with invalidity) and by far the most important. Besides controlling and subsidizing voluntary schemes, the state intervened primarily in establishing either compulsory public insurance schemes or demogrant (noncontributory) universal pension schemes financed by general revenues.

Unemployment insurance was usually introduced last because the notion of state support for the "undeserving poor" required the most radical break with liberal and patrimonial principles. Due to the special difficulties of solving unemployment through insurance techniques (see Chapter 5), public assistance programs persisted with subsidized voluntary and compulsory insurance schemes. Three countries still have only subsidized voluntary schemes (Denmark, Finland, Sweden), whereas five others have retained such schemes for a long period (Belgium 1907-1944, the Netherlands 1906-1949, Norway 1906-1938, France 1905-1967, Switzerland 1924-1976). Only four countries introduced compulsory insurance systems from the outset (Austria, Germany, Italy, the United Kingdom).

B. The Development of Social Insurance Systems

1. Steps in the Extension of the Social Insurance Schemes

The expansion of social security systems may be described qualitatively by the risks and social categories successively covered, as well as in quantitative terms by the number of insured persons. In general, the sequential steps of extension within each system have followed a similar pattern in including new groups of persons and new types of benefits. Initial provisions for industrial accidents were frequently limited to workers in a few especially dangerous industries. By 1911, when Switzerland introduced its program, all twelve countries had workmen's compensation schemes of some kind, and by the outbreak of World War I all had extended them to the majority of industrial workers. In a second step, the schemes were extended to additional groups, primarily agricultural workers and later to the majority of all employed persons. This step usually was completed between the wars, although Norway and Switzerland did not extend their schemes to agricultural workers until the 1950s. The third step was marked by widening the concept of industrial accidents to include new risks such as occupational diseases. With the exception of the United Kingdom and Switzerland that had broad definitions of industrial accidents from the very beginning, this step was made after World War I. A last step of extension, which largely did not begin before the 1950s and which is not yet complete, consists in the extension of coverage to self-employed persons.

Sickness insurance, at the time of its introduction, was usually limited to industrial workers and a few categories of employees below an income limit. By 1913, when the Netherlands passed a law on compulsory insurance, all countries had taken legislative action to provide some kind of insurance scheme. In the next step coverage was extended to groups such as agricultural workers or higher paid employees. In the countries with compulsory schemes, this step usually occurred in the 1920s. The consolidation of the schemes through the provision of medical benefits, either introduced for the first time (the Netherlands 1941) or improved and extended to new groups, represents a third step. With the exception of the pioneer Norway (1909), medical benefits were generally extended to family members between 1930 and 1945, while their extension to pensioners usually came about a decade later, between 1941 (Germany) and 1955 (Italy). As in the case of industrial accidents, the extension to self-employed persons marks the last and fourth step, mainly in the years after 1950.

In the introductory phase of pension insurance, coverage was usually limited to workers and certain groups of employees, with benefits limited to old age and/or invalidity payments. A first major modification occurred when survivors' benefits were included: Germany was first in 1911 with most countries following by 1930. However, introduction in Switzerland and Sweden did not occur until 1946, with other Scandinavian countries following as late as the 1950s and even 1960s. Another consolidating step consisted in the inclusion of self-employed persons. Here, the old age insurance schemes in Scandinavia covered the entire population from the very beginning, while the other countries moved toward this goal only after World War II. The introduction of periodic adjustments of pensions to price or wage levels, and the combination of fixed (national minimum) benefits with earnings-related pensions may be understood as a fourth and last significant step. Most countries introduced pension adjustments only after World War II and between 1955 and 1965. While countries with earnings-related pension programs moved towards supplementary flat-rate pensions, such as the Netherlands (1956), Italy (1965), and, in a sense, also Germany (1972), countries providing flat-rate pensions, such as the Scandinavian countries and the United Kingdom, introduced supplementary earnings-related pensions in the period of 1959 to 1966.

Unemployment insurance initially was typically limited to industrial workers or specified industries. After the differentiation between insurance benefits of limited duration and unlimited assistance benefits independent of contributions, the major consolidating steps of the insurance systems consisted in the extension of the schemes to wider groups, including agricultural workers, and the introduction of dependants' benefits.

2. Stages in Social Insurance Legislation

Considering the general chronological development of all these schemes, it is possible to distinguish four phases or stages of social insurance legislation⁹:

1. A classical introductory phase from the early German legislation until 1914. By the outbreak of World War I, all twelve countries had some kind of workmen's compensation schemes, ten had introduced either compulsory or subsidized voluntary sickness insurance programs, eight countries provided for old age, while only five had established some kind of unemployment insurance.
2. A phase of extension between the two World Wars. Social insurance was adopted in additional countries and was extended to cover new risks (especially unemployment and occupational diseases) as well as new groups (particularly nonemployed persons such as family members and pensioners), thus adding the idea of a national minimum to the older concept of just wage substitution. At the start of the second World War, the majority of the twelve countries had made accident and sickness insurance compulsory, all countries had introduced some kind of unemployment insurance, and, with the exception of Switzerland, they all provided for old age.
3. A phase of completion immediately after World War II. In this phase, extensive reforms in several countries (Belgium, France, Sweden, Switzerland, the United Kingdom) made the catalogue of covered risks complete, so that by 1950 all nations had rather comprehensive programs for all the four main risks. All countries had a compulsory pension insurance or demogrant scheme; eleven possessed compulsory accident insurance, nine had compulsory sickness insurance, while seven had adopted compulsory unemployment insurance.
4. A phase of consolidation and reorganization after 1950. Two major changes occurred in this phase. The first consisted in extending social insurance to self-employed persons, often accomplished through the establishment of universal insurance systems. This step was to some degree related to Lord Beveridge's idea of national solidarity as the core principle of social security. The second change was constituted by a coordination, and even unification, of existing schemes based on a more comprehensive conception of social security. By 1965, all countries except Germany had extended their pension and sickness insurance schemes to some categories of self-employed, and, beginning in the 1960s, several countries tried to reorganize and unify their social security systems (particularly Italy from 1965, the Netherlands from 1966, Norway from 1970, Belgium from 1970 and Germany from 1972).

3. Measuring the Scope of Social Insurance Systems

Quantitative data on the extension of social insurance coverage partly reflect these broad legislative phases. In order to facilitate a comparison of national scheme extensions, an index of social insurance coverage has been developed that consists of a weighted average of the percent of the labor force covered by the four systems. The weights given to the four systems, tentatively derived from their varying financial as well as sociological significance, are: 1.5 for old age insurance coverage, 1.0 for sickness and unemployment insurance coverage, and 0.5 for accident insurance cover-

Figure 2.4
The Growth of Social Insurance Coverage in Western Europe

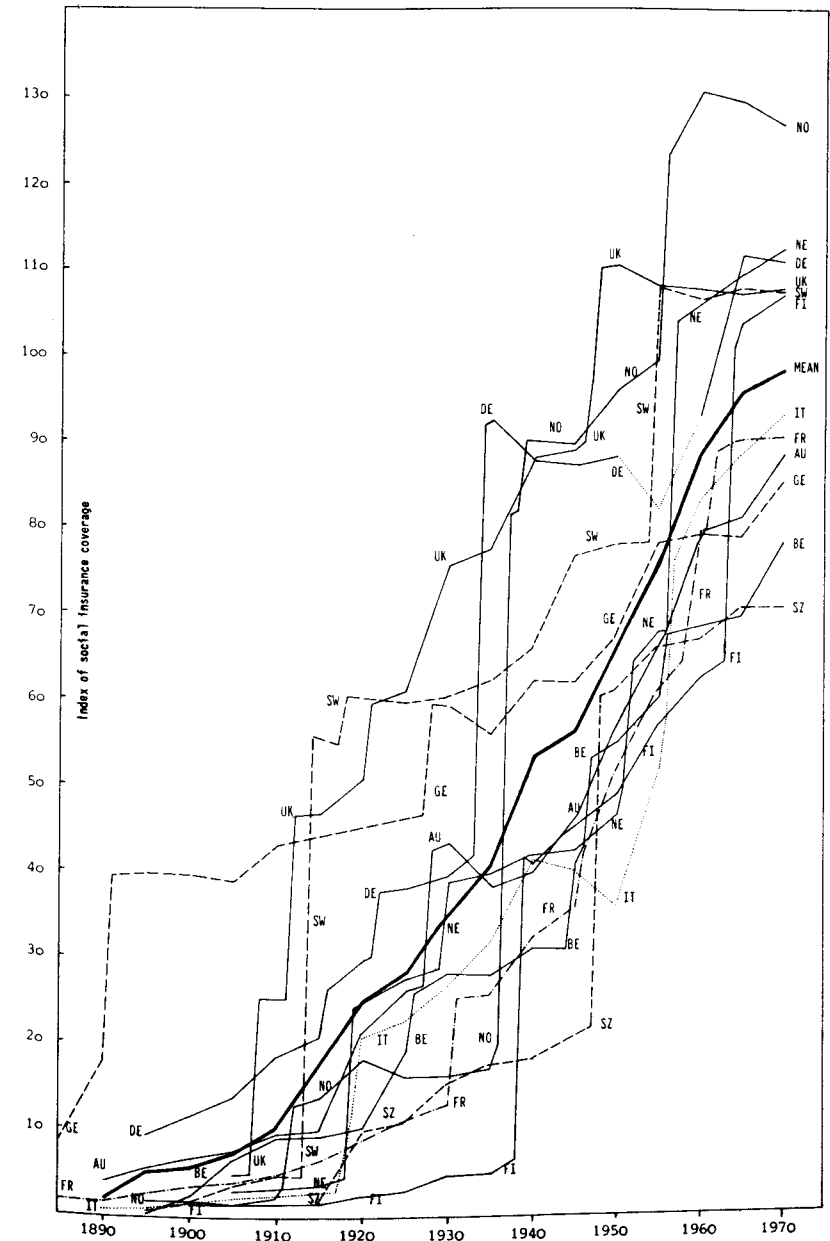


Table 2.3
Parameters of the Growth of Social Insurance Coverage

	1890	1895	1900	1905	1910	1915	1920	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970
Mean index values	2.0	5.1	5.8	7.3	10.4	18.1	25.2	28.4	35.0	40.9	53.2	56.2	66.2	75.1	88.2	95.3	97.8
Mean percentage growth per quinquennial period	3.0	0.7	1.5	3.1	7.7	7.1	3.2	6.6	5.8	12.3	3.0	9.7	8.2	13.1	7.1	2.5	
Median percentage growth	0.5	0.7	0.8	1.0	1.3	4.6	2.1	4.2	1.4	5.1	2.7	5.7	6.6	9.5	2.6	1.7	
No. of countries above mean percentage growth	2	6	5	3	3	5	4	5	2	2	5	4	5	5	3	6	
Range	17.8	39.8	39.5	38.9	43.1	53.8	57.5	58.0	70.7	87.4	71.4	68.7	74.5	56.0	65.4	60.1	56.1
Standard deviation	4.9	10.8	10.7	10.2	12.2	18.6	17.4	18.2	20.9	25.1	23.6	22.6	21.4	18.9	19.6	17.9	15.6

age. The percent covered by subsidized voluntary systems only is divided by 2. Figure 2.4 shows the growth of social insurance coverage between 1890 and 1970 in each country compared to the European mean.

The mean index value demonstrates a steady rise in social insurance coverage over this period. After a gradual and modest increase up to 1910, coverage expands quickly in the interwar period and after World War II up to 1960 and then levels off. Judging from the mean and median quinquennial percentage growth of coverage in the twelve countries, the period from 1945 to 1960 stands out as the phase of major extension. The years from 1925 to 1930 and from 1935 to 1940 also witnessed rapid growth, but only the decade from 1950 to 1960 has seen a major and general extension of social insurance coverage. In single countries, the growth of coverage in general has been relatively steady, with only a few periods of very rapid extension (Germany 1885-1891, the United Kingdom 1906-1911, Sweden 1913, Italy 1919, Denmark 1933, Norway 1936-1940, Finland 1939, Belgium 1944-1946, Switzerland 1947-1948, the Netherlands 1951-1957, Sweden 1955, Norway 1956, Italy 1955-1960, and Finland 1963-1964).

Looking at the differences among the European countries and judging from the standard deviations of the country index values, we can see that the classical introductory phase before World War I was relatively homogeneous. Most countries kept the initial scopes of the systems limited, and only Germany and Denmark stood out as pioneers. The second phase of extension between the two world wars witnessed the greatest divergence with the Scandinavian countries of Sweden, Denmark, and Norway, as well as the United Kingdom, extending the scope of their systems, while Finland, Switzerland, France, Belgium, and Italy lagged far behind. The greatest divergence occurs in 1935. The phases of completion and consolidation after World War II demonstrate a slow convergence still characterized by the lead of the Scandinavian countries and the United Kingdom that all have national insurance schemes in at least one of the four systems. This group is followed by five countries with index values close to the mean with compulsory insurance systems of a more limited coverage (Italy, France, Austria, Belgium, Germany). Switzerland, which still mainly relies on subsidized voluntary insurance, is last with an extraordinary low index value. The international differences began to diminish especially in the 1960s, when several countries approached complete coverage of the resident adult population. Given this nearly complete extension of the scope of social insurance schemes, further developments are better revealed by the expenditure data in Chapter 9.

III. Determinants of Social Insurance Legislation

In this closing part, we attempt to explain the great variations in the introduction and institutional development of social insurance systems.

From all major social insurance laws, we selected seventy-four that appeared to establish the institutional core of the four insurance systems in each of our twelve countries (see Table 2.4). In general, a core law is defined as the introduction of a compulsory system covering a majority of industrial workers. Subsidized voluntary systems were counted as functional equivalents if they persisted for longer periods or had a high coverage. An important subset of these seventy-four laws is formed by the first forty-eight laws (4 insurance systems x 12 countries) establishing a compulsory or subsidized voluntary system (excluding insurance schemes for very limited and special groups).

A. The Key Variables

Three independent variables are used in our attempt to explain the variations in social insurance in Western Europe. Considering the great time span and the large number of countries to be analyzed, these variables must be simple. The first two variables refer to the basic elements of problem pressure, socioeconomic development and political mobilization, whereas the third refers to constitutional development that shaped government intervention. All three variables define broad societal contexts in which social problems arise, political demands are formulated, and institutional solutions are sought.

1. Socioeconomic Development

This variable includes the two fundamental developmental processes of industrialization and urbanization. The underlying assumption is that these processes generate and intensify social problems leading to the introduction of social insurance (security) systems, especially in the context of a capitalist organization of production. Industrialization (I) is measured by the percentage of the labor force employed in the secondary (industrial) sector, and urbanization (U) by the percentage of the total population living in cities of twenty thousand or more inhabitants (a criterion facilitating international comparison and a sharper distinction between urban and rural population than the standard definition).¹⁰

2. Political Mobilization of the Working Class

Since social insurance legislation was predominantly directed toward industrial workers until World War II, the electoral participation of the working class is considered the main political variable. The underlying assumption is that working-class mobilization is a measure of the political pressure for introducing social insurance systems, even though working-class parties did not always demand their introduction. It does, however, imply that social insurance legislation was partly a defense against working-class mobilization. This is measured by the percentage of votes in national elections for working-class parties.¹¹

Table 2.4
Core Social Insurance Laws in Western Europe

Country	Industrial Accident Insurance employers' liability compulsory ins.	Sickness Insurance subsidized voluntary compulsory	Pension Insurance subsidized voluntary compulsory	Unemployment Insurance subsidized voluntary compulsory
AUSTRIA	1887	1888	1906 (employees) 1927 (workers)	1920
BELGIUM	1903 1898	1894 1892	1900	1907 1944
DENMARK	1916	1923 (semi-compuls.)	1891 (national pensions) 1922 (national pensions rev.) 1933 (invalid/old age insur.)	1907
FINLAND	1895 1917	1963	1937	1917
FRANCE	1898	1930	1910 1930	1914 (unempl. assistance) 1959 (collective labor agreements) 1967
GERMANY	1884	1883	1889	1927
ITALY	1898	1928 (collective labor agreements) 1943	1898	1919
NETHERLANDS	1901 1921	1913 1929	1913	1916
NORWAY	1894	1909	1936	1906
SWEDEN	1916	1891 1910	1913	1924
SWITZERLAND	1911	1911	1946	1924
UNITED KINGDOM	1906	1911 1946	1908 (national pensions) 1925	1911 1920

3. Constitutional Development

This variable is only used to explain social insurance legislation until World War I and consists of two dimensions. The first is the extension of suffrage with respect to social stratification or social class, so that sex and age are held constant. This is calculated as the number of enfranchised males expressed as a percentage of the male age group defined by the respective electoral laws.¹² The second dimension of constitutional development refers to parliamentarism. Here, the political regimes before World War I are simply classified as constitutional-dualistic monarchies or parliamentary democracies.¹³

We shall now turn to an examination of these internal factors that might explain variations in the introduction and evolution of the social insurance systems. First, however, we examine whether external factors, primarily a diffusion process in which countries imitate and adopt institutions from an innovative pioneering country, might not have played a significant role.

B. Examining the Diffusion Process Concept

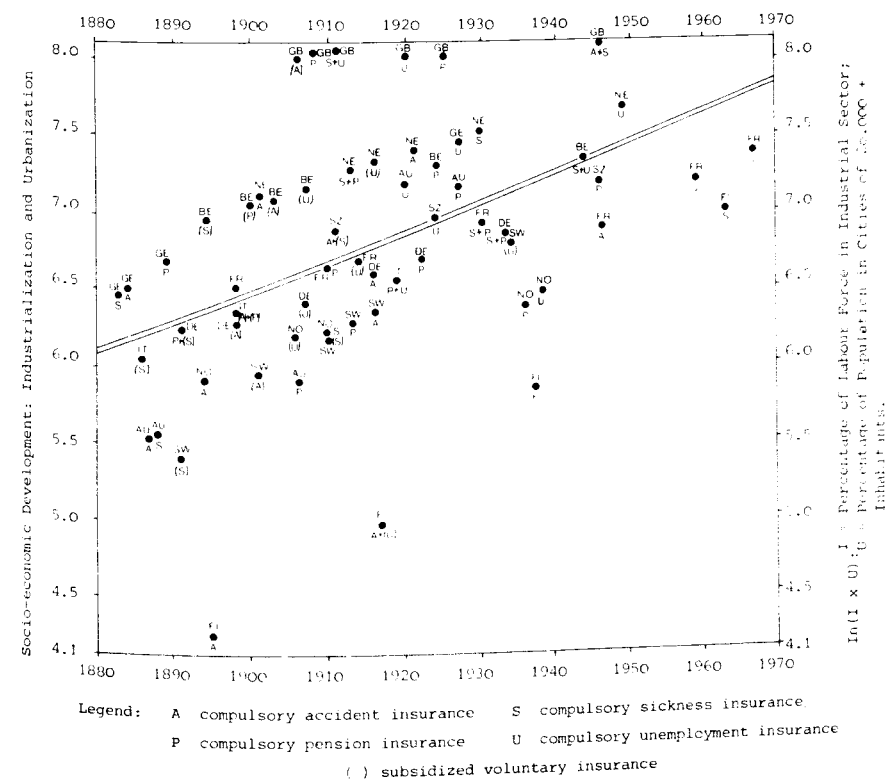
That the introduction and evolution of social insurance systems in our twelve countries might be interpreted as a kind of diffusion process is suggested in Reinhard Bendix's conception of modernization: "a basic element of modernization is that it refers to a type of social change since the eighteenth century, which consists in the economic and political advance of some pioneering society and the subsequent changes in the follower societies."¹⁴ In this case, Germany obviously was the pioneering country. However, the mere fact that other countries followed chronologically is not sufficient proof that these countries were decisively influenced by the German example.¹⁵ The crucial question is whether and to what extent the development in other countries would have been different if Germany had not established its social insurance systems in the 1880s. We should first note that in several other European countries, similar projects were discussed at the same time or even earlier. Thus, the idea was not completely new, and it is reasonable to expect that another country besides Germany could have pioneered. Furthermore, we would have to know whether the German institutions were really viewed as a model by the public, the legislators, and administrators in other countries. This question is analyzed in Chapter 4 with respect to the Scandinavian countries, and the results are ambiguous. Unfortunately, we are not able to conduct a similar analysis for all Western European countries, but we can develop an alternative test of whether the development in these countries would have been significantly different without the German example.

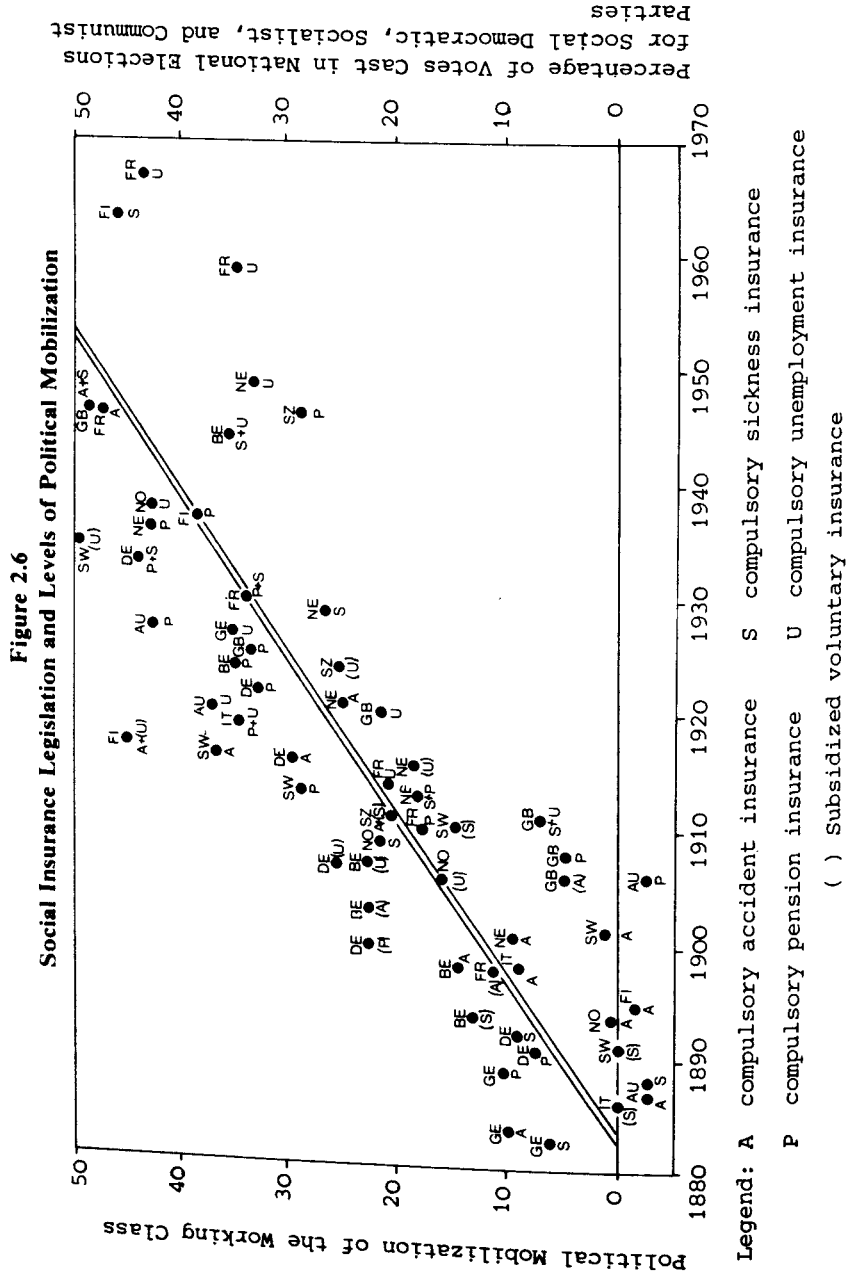
The diffusion concept, as related to Bendix's conception of the modernization process, is a far-reaching one. It holds that because one country pioneered in introducing a specific institution at a certain level of develop-

ment, other countries will adopt this institution in general at a lower level of development. Thus, if we define here level of development as the level of socioeconomic development on the one hand and the level of political mobilization on the other, we could hypothesize that the follower societies that introduce these institutions later in chronological time establish them earlier in developmental time, i.e. at lower levels of socioeconomic development and political mobilization.

This hypothesis is clearly rejected by examining the two scatterplots in Figures 2.5 and 2.6 in which all seventy-two¹⁶ core laws are recorded with respect to the year of enactment, the level of socioeconomic development reached in that year (Figure 2.5), and the level of working-class mobilization in the same year (Figure 2.6). The follower societies established their systems usually at a slightly higher level of socioeconomic development and generally at a much higher level of political mobilization.

Figure 2.5
Social Insurance Legislation and Levels of Socioeconomic Development





To test the hypothesis in more detail, the whole set of seventy-two social insurance laws has been subdivided into eight subsets: the first laws and all core laws for each of the four social insurance systems. The relevant coefficients for these subsets are presented in Table 2.5. The standardized regression coefficients show that the general conclusion holds for all subsets: 12 of the 16 coefficients are clearly positive and the other 4 are practically zero. In general, these coefficients and the percentage of explained variance are much lower in relation to socioeconomic development than in relation to political mobilization.

In Western Europe, the follower societies have thus introduced social insurance systems at consistently higher levels of political mobilization and at slightly higher and rather similar levels of socioeconomic development. A similar pattern was earlier found by David Collier and Richard E. Messick with respect to the timing of the adoption of the first social security program in each country. Among the European nations, they found a "moderate but consistent tendency" for late adopters to adopt programs at successively higher levels of modernization as indicated by the labor force in the agricultural sector.¹⁷ In contrast to Collier and Messick who take this pattern as evidence for a diffusion process "up a hierarchy of nations," we interpret this result as evidence that diffusion processes alone cannot account for the establishment of national social security programs. Although diffusion processes may have affected the course of national decision making, the example set by a pioneer country does not apparently provide sufficient incentive to adopt social insurance schemes independent of internal socioeconomic problems and political mobilization. We therefore turn our attention to the analysis of some internal prerequisites for social security legislation.

C. The Importance of Socioeconomic Development and Political Mobilization

Do thresholds of socioeconomic development or political mobilization exist that make the establishment of social security programs highly probable or even mandatory? Looking first at the range of socioeconomic development at the time of adoption, one can see that the three lowest ranking countries (Finland 1917, Sweden 1891, Austria 1887, neglecting the exotic value of Finland 1895) introduced their first social insurance schemes at a mean level of 5.29 (= $\ln I \times U$) corresponding to a level of 17.5 percent industrialization and 11.5 percent urbanization. Britain, as the highest ranking country on the other hand, established its first systems between 1906 and 1911 at a level of 54 percent industrialization (probably the maximum) and around 60 percent urbanization (a level reached in Europe in 1970 only by the Netherlands). With respect to the level of political mobilization of the working class, the range of variation is similar with extreme values at 0 percent and 50 percent of total votes.

Table 2.5
Diffusion of Social Insurance Legislation

(1) With respect to socioeconomic development: x = chronological time (year of introduction), y = socioeconomic development (in IAU) at the year of introduction

	n	\bar{x}	\bar{y}	s_x	s_y	r	b	r^2
Accident Insurance	17	1898	6.56	7.5	0.94	0.06	0.52	0.27
All Laws	18	1908	6.44	17.3	0.96	0.03	0.46	0.21
Sickness Insurance	17	1906	6.58	22.9	0.75	0.02	0.50	0.25
All Laws	17	1916	6.76	23.8	0.77	0.02	0.65	0.40
Pension Insurance	17	1912	6.65	18.4	0.63	-0.0005	-0.02	0.0004
All Laws	19	1917	6.81	16.1	0.60	0.01	0.14	0.02
Unemployment Insurance	17	1917	6.81	8.6	0.77	0.01	0.11	0.01
All Laws	18	1927	6.99	18.2	0.72	0.01	0.26	0.07
All 4 systems	48	1908	6.60	16.8	0.77	0.01	0.32	0.10
All Laws	72	1917	6.76	19.8	0.78	0.02	0.44	0.19

(2) With respect to political mobilization: x = chronological time (year of introduction), y = political mobilization (% of votes for working class parties) at the introduction

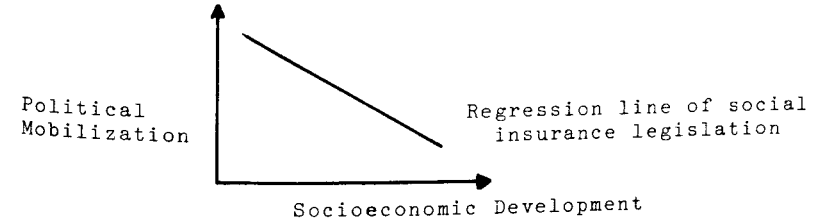
	n	\bar{x}	\bar{y}	s_x	s_y	r	b	r^2
Accident Insurance	12	1898	8.5	7.5	7.7	0.08	0.08	0.01
All Laws	18	1908	18.5	17.3	16.7	0.79	0.82	0.67
Sickness Insurance	12	1906	14.6	22.9	14.3	0.58	0.93	0.86
All Laws	17	1914	20.2	23.8	16.3	0.64	0.94	0.88
Pension Insurance	12	1912	19.0	18.4	13.6	0.57	0.77	0.59
All Laws	19	1917	25.4	16.1	14.0	0.70	0.80	0.64
Unemployment Insurance	12	1917	27.9	8.6	12.5	1.01	0.69	0.48
All Laws	18	1927	30.4	18.2	11.6	0.38	0.60	0.36
All 4 systems	48	1908	17.5	16.8	13.9	0.65	0.79	0.62
All Laws	72	1917	23.6	19.8	15.2	0.63	0.82	0.67

First Laws = all first laws establishing a compulsory or subsidized voluntary system (excluding systems for very limited groups, such as e.g. miners)
All Laws = all laws establishing the core of a compulsory or an equivalent subsidized voluntary system with high coverage.

Even if the extreme values are disregarded, the spread remains very wide. We may thus conclude that the variation in developmental levels at the time of the establishment of social insurance systems is too great to allow any generalization about thresholds. Of course, it is obvious that predominantly agricultural societies probably will not adopt social insurance systems, just as highly industrialized and urbanized societies will have such schemes. Given the weak explanatory power of the threshold concept with respect to single developments, it is important to analyze whether socioeconomic change and political mobilization combine to influence social insurance introduction.

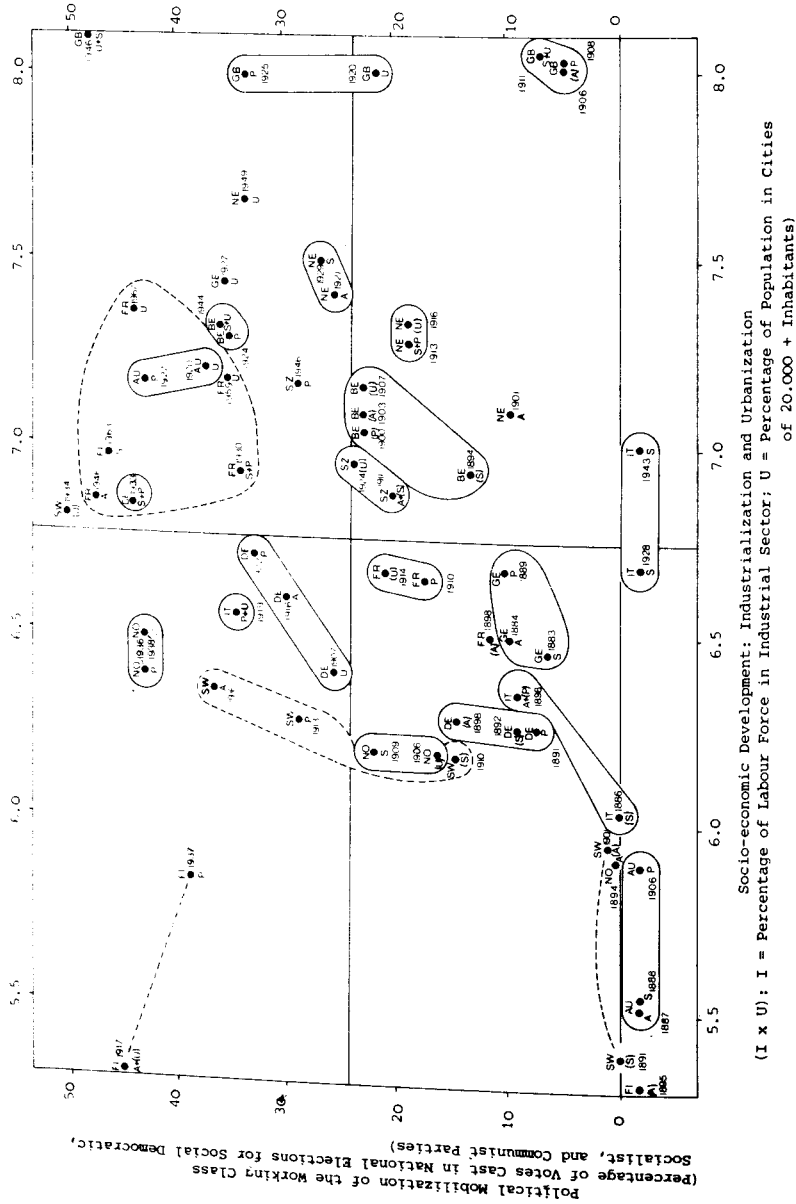
If this is the case, we would expect that countries that introduce social insurance schemes at relatively low levels of socioeconomic development are characterized by relatively high levels of political mobilization of the working class pressing for such institutions. Similarly, countries that introduce social insurance schemes at relatively low levels of political mobilization are characterized by relatively high levels of socioeconomic development producing social problems that necessitate the introduction of such institutions. In either case, countries introducing social insurance schemes at relatively low or relatively high levels of both socioeconomic development and political mobilization, should be the exception, rather than the rule.

Figure 2.7
Socioeconomic Change and Political Mobilization as Influences on Social Insurance Introduction



The scatter plot in Figure 2.8 is used to examine this hypothesis. The horizontal axis refers to the levels of socioeconomic development, the vertical axis to levels of political mobilization. Each point represents the introduction of one (or more simultaneous) social insurance laws at the respective levels and is marked by the country name, the year of introduction, and the type of law. The regression lines show that, in its general formulation, the hypothesis must be rejected. With respect to social insurance legislation, the two developmental dimensions seem to be completely independent.

Figure 2.8
Social Insurance Legislation in the Context of
Socioeconomic Development and Political Mobilization



It could be, however, that the above hypothesis is meaningful only in relation to various subsets of the 72 laws, the combination of which may obscure the hypothesized relationship. This is made probable by the fact that all countries developed their systems not in one, but in several steps. The differentiated hypothesis, therefore, would look like Figure 2.9.

Figure 2.9
A Differentiated Hypothesis for Social Insurance Legislation

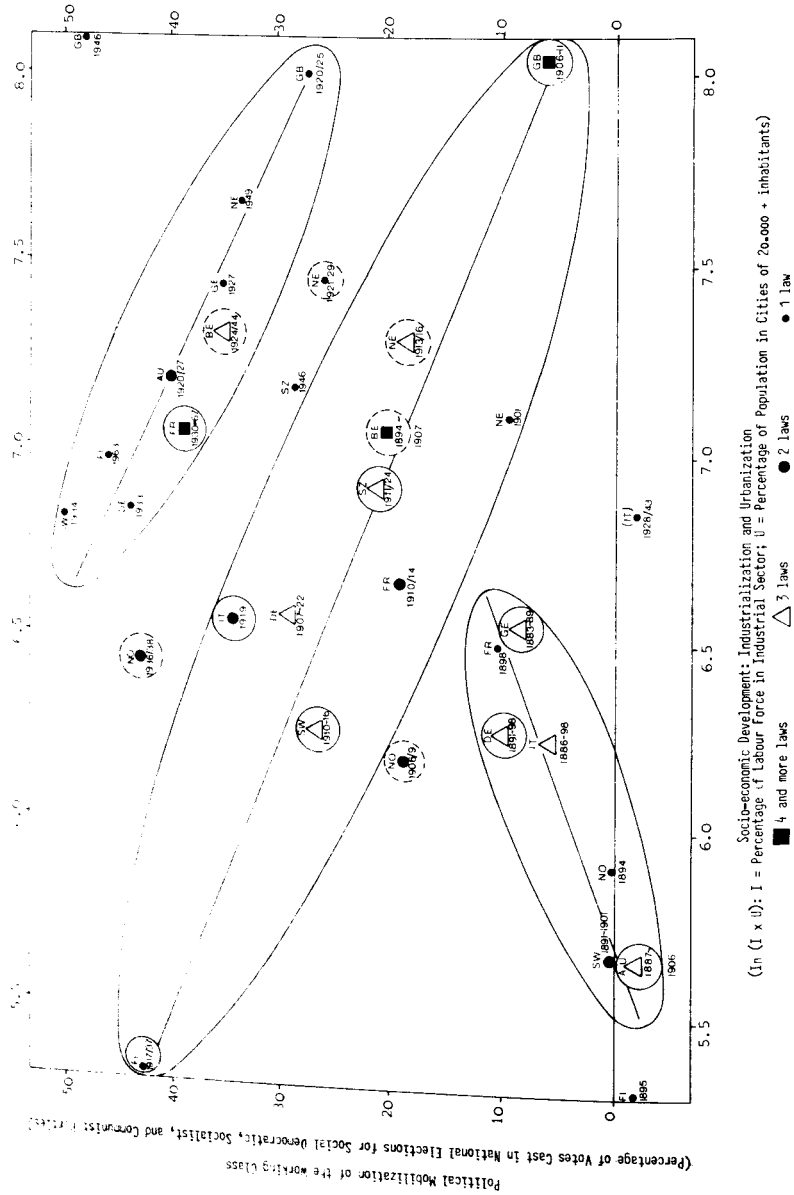


In order to identify the possible subsets, we first simplify the analysis by combining two or more laws of each country (in the first scatter plot surrounded by lines) that are characterized by similar levels of development and mobilization and/or temporal proximity (the problematic groupings have dotted lines). This reduces the number of cases to 33 insurance legislation periods for which the mean values of the combined laws are then considered. To test now the more differentiated hypothesis, three subsets are constructed:

1. by grouping together those insurance legislation periods which are comparable among the countries with respect to their sequence in the national evolution of social insurance legislation and to time periods;
2. by calculating the respective regression lines for the three subsets, starting with those insurance legislation periods for which the hypothesis seems to fit best;
3. by maximizing the percentage of variance explained by the regression lines in a procedure of trial and error, including and/or excluding those steps with a relatively greater distance from the regression line. This procedure proved that the inclusion and/or exclusion of the values did not essentially change the regression coefficients but only the coefficients of determination.

Thus, three subsets have been constructed that represent approximately three time periods (with few exceptions):

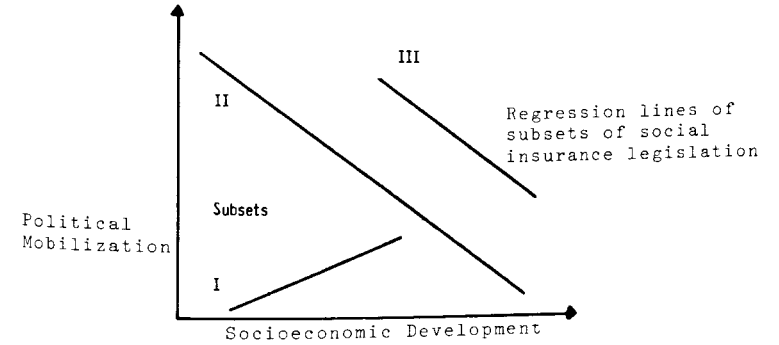
Figure 2.10
Social Insurance Legislation in the Context of Socioeconomic Development and Political Mobilization



Subset	Time-Period	Mean Level of Socioeconomic Development	Mean Level of Political Mobilization	Regression Coefficient	Coefficient of Determination	
I.	1880-1900	6.12	5.3	12.07	0.85	7
II.	1900-1920	6.77	22.7	-13.49	0.81	10
III.	1920-	7.25	38.8	-16.19	0.86	9

The main period of social insurance legislation in each country is surrounded by a line (dotted lines for countries with two such periods).

Figure 2.11
The Sociopolitical Paths of Social Insurance Legislation in Three Time-Periods



Simplified, the three subsets yield the structure in Figure 2.11. For our argument, the middle subset (II) is the central one, since it includes the main social insurance legislation periods of five countries (Finland, Sweden, Italy, Switzerland, the United Kingdom) in addition to two countries with the first of two main legislative periods (Belgium, the Netherlands). With respect to this group of countries, the differentiated hypothesis seems to have some validity. This means that we should here consider the introduction of social insurance schemes as a function of the combined effects of growing social problems (socioeconomic development) and an increasing political pressure (mobilization of the working class). Although differing widely in levels of industrialization and urbanization on the one hand and political mobilization on the other, these countries enacted social insurance laws at similar levels of sociopolitical development. We are not able here to explore the differences in the interaction of socioeconomic and political development in greater detail. An explanation will probably have to be sought in the consequences of a "late" versus an "early" industrialization and urbanization (Finland, Sweden, Italy versus the United Kingdom, Belgium, the Netherlands, Switzerland)

for the mobilization of the working class, but also in the impact of cultural cleavages upon the labor movement (Switzerland, Belgium, the Netherlands). The plausibility of the differentiated hypothesis for this group of countries is not undermined by the fact that some introduced minor social insurance schemes earlier (Finland, Sweden, Italy) or later added some laws to supplement the established systems (Sweden, Finland, the Netherlands, the United Kingdom).

In need of explanation, however, are those cases where the main periods are characterized by relatively low or relatively high levels of both developmental dimensions (Subsets I and III). Group I is of special interest, since it includes those introductions of social insurance schemes that, compared to the central Group II, definitely came "too early." The different slope of its regression line suggests that the hypothesized relationship is irrelevant here. In the following part, therefore, we shall attempt to explain the "deviance" of these cases by referring to differences in constitutional developments.

D. The Role of Constitutional Developments

With respect to these early developments, we can hypothesize that the constitutional-dualistic monarchies tended to introduce social insurance schemes earlier (in chronological and developmental time) than the parliamentary democracies for several reasons. First, they had a greater need to solidify the loyalty of the working class since they were competing with a growing and hostile labor movement that threatened the legitimacy of the nonparliamentary political regimes. Second, the constitutional-dualistic monarchies had already developed stronger state bureaucracies capable of administering such systems and preserving a paternalistic heritage. Finally, these regimes were dominated by landed interests that were able to shift the costs of social expenditures to the urban upper and middle class by taxes on income and profit and employers' insurance contributions and to the working class itself by indirect taxes and compulsory insurance contributions.

In Table 2.6, three levels of enfranchisement are distinguished in the vertical axis (0 - 35 percent, 40 - 70 percent, 75 + percent, representing the percentages of the respective male age group who could vote), and the two types of regimes are differentiated in the horizontal axis. This produces six different political settings in which the various countries are located for the corresponding years. The period stems from 1883, when the first law in Germany was enacted, to 1914, excluding the specific impact of World War I. The first social insurance laws introduced in this period are distinguished according to their importance (major, medium, minor) and relocated with respect to the political setting at the time of their passage. In order to measure the "propensity to introduce social insurance schemes," a "ratio of social insurance realization" was calculated by dividing the number of

**Table 2.6
Constitutional Development and Social Insurance Legislation**

MALE SUFFRAGE	CONSTITUTIONAL-DUALISTIC MONARCHIES			PARLIAMENTARY DEMOCRACIES			MALE SUFFRAGE
	First Social Insurance Laws major	First Social Insurance Laws medium	First Social Insurance Laws minor	First Social Insurance Laws major	First Social Insurance Laws medium	First Social Insurance Laws minor	
0 - 35	AU 1883-1906: SW 1883-1910:	1888 1887 1906	1891 1901	BE 1883-1893; II 1883-1912 NO 1884-1893; NL 1883-1896; NL 1897-1914; NO 1894-1899; GB 1885-1914; 1911 1911	1886 1898 1898		0 - 35
40 - 70							40 - 70
75 +	AU 1907-1914; DE 1883-1910; GE 1883-1914; SW 1911-1914:	1891 1885 1889 1913	1898	BE 1894-1914; 1900 1903 1907 1898 1910 1914 1909 1911 1911	1894		75 +
Ratios of sub-set I							
countries actual laws potential laws	4 11 16	11/16 = 69 %	18 % = 5/28	7 countries actual laws potential laws	5 28		
countries actual laws potential laws	4 10 16	10/16 = 63 %	21 % = 6/28	7 countries actual laws potential laws	6 28		
countries actual laws potential laws	4 12 15	12/15 = 80 %	76 % = 22/29	8 countries actual laws potential laws (= 36-3 of DE)	22 29		

actual laws by the number of potential laws, assuming that each country could have introduced four first laws (one in each of the four insurance systems).

Comparing the ratios, the following conclusions may be drawn:

(1) In subset I, the propensity to introduce social insurance schemes was much higher in the constitutional-dualistic monarchies (Austria, Denmark, Germany, Sweden) than in the parliamentary democracies. The respective ratios are 69 percent to 18 percent. The difference remains even if one defines the subset in strictly chronological terms as the period until 1901. Here, the ratios are 63 percent to 21 percent. Furthermore, three of the five laws in the category of democracies were enacted in Italy, which poses problems in being classified as a parliamentary democracy at that time. It was only later, not until 1914, that the democracies compensated for the advance of the authoritarian regimes and narrowed the gap in ratios (80 percent to 76 percent).

(2) This difference in the propensity to introduce social insurance schemes seems to be primarily a function of the type of regime and not the level of enfranchisement. In order to compare the two types of regimes at various levels of enfranchisement properly, one has to weigh the respective ratios of actual laws to potential laws by the number of years that a country remained in the respective category, thus calculating an annual average ratio of social insurance realization. The ratios show that at both levels of enfranchisement for which comparisons can be made (0-30% and 75+% male suffrage) the propensity to introduce social insurance was considerably higher in authoritarian than in democratic regimes (1.20 to 0.29 and 1.01 to 0.57). Only the category of parliamentary democracies with 40 to 70 percent male suffrage disturbs the picture, but this is because of the heavy influence of Great Britain that introduced all four systems. If this category is combined with the 75 percent and more suffrage, the ratios become 1.01 to 0.37.

(3) In the parliamentary democracies the extension of suffrage clearly increased the propensity to introduce insurance systems. Although it seems difficult to generalize about a "suffrage threshold," the propensity increased where suffrage was over 50 percent of the male population. In the constitutional-dualistic monarchies, however, the influence of the suffrage level is not clear. On the one hand, the ratio is higher in the category with a lower suffrage (1.20 to 1.01), while on the other, the countries with a higher level of enfranchisement generally introduced more important and comprehensive systems.

The greater propensity of the constitutional-dualistic monarchies to introduce social insurance schemes is even more remarkable considering

the differences in socioeconomic development. Calculating the average level of socioeconomic development for each category (mean $\ln I \times U$ for all years in which social insurance laws were enacted) shows that parliamentary democracies introduced social insurance not only later, but usually also at relatively higher levels of industrialization and urbanization:

Male Suffrage	Constitutional-Dualistic Monarchies	Parliamentary Democracies	
0 - 30	mean $\ln I \times U = 5.66$	mean $\ln I \times U = 6.22$	} 7.00
40 - 70		7.49	
75 +		6.72	
All	6.09	6.89	

If the establishment of social insurance systems by the early adopters is related to constitutional developments, the question as to what influenced the "deviant" group that introduced their schemes in the period after 1920 (Subset III in Figure 2.11) remains. In contradiction to our hypothesis on the combined effects of socioeconomic developments and political mobilization, these countries established their insurance programs at relatively high levels of both types of problem pressure. This is especially true for France, to some degree for Belgium, but maybe also for the Netherlands which falls outside the group.¹⁸

To explain the late adoption of social security in these countries, it is probably necessary to consider such variables as government instability and cleavage structures, especially within the labor movement. Frequent government turnovers probably account for much of the French history of delayed social security legislation, whereas cross-cutting cleavages would probably help to explain the developments in Belgium and the Netherlands. We should be aware, however, that categorizing countries as late adopters simply because of the timing of their legislation may be misleading. It is very possible that the laggards in the establishment of insurance systems were in fact pioneers with respect to the adequacy of protection. Thus, the latecomers may have initiated systems at higher levels of coverage and/or compensation, whereas the early adopters may have only gradually extended their schemes. An analysis of the more recent period would therefore require the inclusion of much more refined dependent variables describing the scope, the level and duration of benefits, and so forth for the systems. To do this for all insurance systems here is impossible, but Chapter 5 attempts to describe at least the most recently established system—unemployment insurance—in these terms.

Table 2.7
Active Members of Occupational Injuries Insurance

Year	GL	AU	NO	FI	DE	FR	IT	NE	SW	SE	UK	SZ	Year		
1880													1880		
1885	18	7											1885		
1890	70	28	9	5									1890		
1895	81	53	14	8	15	6							1895		
1900	75	51	18	9	15	5	8	3					1900		
1905	72	51	20	10	17	5	8	3	10	5			1905		
1910	87	58	25	14	16	6	8	3	13	7	23	11	1910		
1915	78	54	27	11	13	8	4	4	20	20	24	11	1915		
1920	75	58	32	15	15	7	5	7	20	20	28	11	1920		
1925	72	57	30	12	19	9	5	5	36	14	36	14	1925		
1930	75	58	40	23	29	12	33	16	50	50	47	19	1930		
1935	77	58	49	24	30	13	32	16	50	50	51	21	1935		
1940	88	44	50		34	15	31	17	55	50	41	16	1940		
1945	90	50	50		34	15	34	18	55	50	44	18	1945		
1950	91	42	54	26	40	17	43	21	55	50	45	70	32	1950	
1955	100		87	42	42	17	49	23	58	29	58	23	55	23	1955
1960	92	44	94	45	76	30	56	26	65	28	64	24	79	36	1960
1965	96	44	89	42	76	30	68	31	70	65	67	24	76	36	1965
1970	98	43	94	41	77	31	75	34	80	65	71	26	76	37	1970

Number of members of compulsory occupational injuries insurance or employer's liability (workmen's compensation) schemes in percent of the economically active population and in percent of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Source: HEMO archive.

--- employer's liability scheme in effect

--- compulsory insurance system in effect

Table 2.8
Active Members of Public Sickness Insurance

Year	FR	GE	IT	AU	SW	DE	BE	NO	UK	SZ	NE	FI	Year
1880													1880
1885	5	2											1885
1890	5	2											1890
1895	8												1895
1900	9	5	5	12	7								1900
1905	13	7	6	3	15	8	6	3					1905
1910	17	8	6	3	20	11	21	8	4				1910
1915	15	8	6	3	23	12	27	11	55	12	6		1915
1920	17	9	6	3	22	10	24	10	70	31	12	5	1920
1925	21	11	6	3	40	28	28	13	91	40	21	9	1925
1930	33	17	6	3	29	13	100	43	28	12	48	20	1930
1935	35	17	8	3	35	17	104	47	33	15	48	20	1935
1940	46	22	23	10	49	24	135	15	32	15	51	22	1940
1945	52	27	60	60	50	49	137	71	49	23	67	29	1945
1950	75	38	77	36	65	29	142	71	84	38	64	28	1950
1955	79	37	91	43	85	36	145	70	99	44	111	51	1955
1960	92	39	87	42	115	46	146	71	162	74	113	52	1960
1965	124	51	85	39	125	47	157	72	155	72	155	70	1965
1970	120	50	97	43	128	56	160	75	160	75	155	74	1970

Number of active members of compulsory or subsidized voluntary sickness insurance schemes in percent of the economically active population and of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Source: HEMO archive.

--- law on subsidized voluntary scheme in effect

--- law on compulsory scheme in effect

Table 2.9
Active Members of Public Pension Insurance

Year	FR	GE	IT	NL	SW	ME	DE	UK	AU	NO	FI	SZ	Year
1880													1880
1885	6												1885
1890	6												1890
1895	8	55 71											1895
1900	8	51 71	0 0	9 4			(20)						1900
1905	8	49 71	1 1	23 11			(20)						1905
1910	8	52 22	2	30 74			(25)						1910
1915	9 5	58 24	2	30	136 57		(25)						1915
1920	14 8	58 27	20	30	132 58	50	(25)						1920
1925	14 7	61 30	25	30	132 60	55 22	91 39	(55)					1925
1930	15	64 31	32	51 24	131 62	55	95 43	90 41	40 19				1930
1935	37 18	64 32	35	47 21	135 64	60 24	132 63	91 42	36 17				1935
1940	47 23	68 33	40	55	136 64	65 26	112 56	104 47	40	160	95 51		1940
1945	52 27	65	25	44 18	143 64	66 27	111 55	109 50	50	160	105 56		1945
1950	70	69 30	25	57 23	138 61	64 25	111 54	101 47	51 25	160	111 55	102 47	1950
1955	89 42	78 35	45	69 28	140 64	72 27	94 45	100 48	54 26	160	129 61	110 52	1955
1960	93 40	82 37	95	89 36	140	169 61	114 52	99 47	75 36	160	140	107 50	1960
1965	100	79 35	100	90	140	170	160	99 47	76 35	160	140	110	1965
1970	100	81 34	100	90	135	170	160	98 46	78 34	155	140	110	1970

Number of members of compulsory or subsidized voluntary pension insurance schemes in percent of the economically active population and of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Figures in brackets are beneficiary ratios under semi-demogrant schemes. Source: HJMED archive.

--- law on subsidized voluntary scheme in effect

┌ law on compulsory scheme in effect

Table 2.10
Active Members of Unemployment Insurance

Year	FR	NO	DE	BE	UK	ME	FI	IT	AU	SZ	GE	SW	Year
1880													1880
1885													1885
1890													1890
1895													1895
1900													1900
1905	0 0												1905
1910	0 0	2 1	9 4										1910
1915	0 0	4 2	12 6	5 2									1915
1920	1	11 4	21 9	5 9	11 5								1920
1925	1	4 2	19 8	18 8	22 9	13 5	1	75	30				1925
1930	1 0	4 2	19 9	17 8	59 26	9 4	1	25	35	8 4			1930
1935	1 1	5 2	23 11	25 11	59 27	14 6	1	26 11	34 16	17 8			1935
1940		35	26 13	30	65 30	16 6	2 1	28 12	25 12	28 13	36 18	2 1	1940
1945		37 16	29 14	34 14	70 31	15 6	4	30	25	27 13	45 22	7 3	1945
1950		50 21	31 15	58 24	62 29	5	7 4	36	30	26 12	45	27 12	1950
1955		56 23	32 15	57 23	85 39	5	7 3	16 7	40 20	27 12	43 20	35 16	1955
1960	50	59 23	35 16	57 23	81 39	54 20	10 5	26 11	46 22	27 13	53 26	37 17	1960
1965	50	59 23	35 17	60 24	77 37	55 20	14 6	41 16	55 26	25 12	59 28	37 18	1965
1970	50	57 23	34 17	63 26	74 35	63 23	24 11	45	57 26	21 10	62 29	42 20	1970

Number of members of compulsory or subsidized voluntary unemployment insurance schemes in percent of the economically active population and of the total population. Missing percentages of the population usually indicate estimates (or, in a few exceptions, missing population data). Source: HJMED archive.

--- law on subsidized voluntary insurance in effect

┌ law on compulsory insurance in effect

Notes

1. See Flora 1974.
2. See Parsons 1971.
3. See Parsons 1960.
4. Marshall 1965, p. 84.
5. Marshall 1965, p. 72.
6. The elements of Rokkan's theory are scattered in various publications. The most important are: Lipset and Rokkan 1967; Rokkan 1970; Rokkan, Saelen, and Warmbrunn 1973; Rokkan 1974a, 1974b, and 1974c.
7. Rimlinger 1971, p. 59.
8. For Germany, cf. Andic and Veverka 1964; and Weitzel 1968; for the United Kingdom, Peacock and Wiseman 1961; and for Sweden, Hök 1962.
9. Cf. Perrin 1969.
10. An indicator of socioeconomic development is constructed by taking the natural logarithm of the product of both percentages: $\ln(I \times U)$. The product instead of the mean is used, because we assume that the impact of medium levels of industrialization and urbanization on the generation of respective social problems is higher than the impact of relatively high industrialization with relatively low urbanization (e.g., Switzerland) or vice versa (e.g., the Netherlands). The raw data can be found in Flora 1975.
11. A major problem lies in the simple addition of the votes for the various parties. Further explanatory attempts will certainly have to account for the relative homogeneity of the labor movement and also to include more indicators measuring different aspects of the mobilization of the working class. The data on election results have been taken from Mackie and Rose 1974. The following parties have been included:

Austria:	Social Democrats (1907-1971), Communists (1945-1956).
Belgium:	Workers Party Socialist Party (1894, 1900, 1912, 1919-1971), Liberal-Worker Party Cartels (1894, 1912, 1946, 1950-1958), Communists (1925-1971).
Denmark:	Social Democrats (1884-1971), Communists (1920-1971), Social Peoples Party (1960-1971), Left Socialists (1968-1971).
Finland:	Social Democrats (1907-1970), Communists (1922-1970), Social Democratic League (1958-1970).
France:	Socialists Socialist Party (1893-1968), Radical Socialist Party (1967), Independent Socialists Socialist Republicans (1906-1936), Communists (1924-1968), United Socialist Party (1962-1968).
Germany:	Social Democrats (1871-1969), Communists (1920-1953), Independent Socialists (1919-1928).
Italy:	Socialist Party (1895-1968), Reformist Socialists (1913-1919), Independent Socialists (1913-1921), Communists (1921-1968), Social Democrats (1948-1968).
Netherlands:	Social Democrats (1888-1967), Communists (1918-1967), Social Party (1918-1925), Revolutionary Socialist Party (1929-1933), Pacifist Socialist Party (1959-1967).
Norway:	Labour Party (1894-1969), Social Democratic Party (1921-1924), Communists (1924-1969), Socialist People's Party (1961-1969).
Sweden:	Social Democrats (1902-1970), Left Socialists (1917-1921), Communists (1921-1970), Socialists (1936-1944).

Switzerland: Social Democrats (1896-1971), Communists (1922-1971),
 United Independent Labour Party (1895), Labour Party (1900-1970),
 Kingdom: Communists (1922-1970).

12. These age groups have been reconstructed using the data of the population censuses and estimating the age distributions for the intercensus years. The raw data on the enfranchised male population can be found in Kohl 1977.
13. The data on the political regimes are taken from von Beyme 1970. The difficulties of classification have an institutional and a chronological aspect. As to the first, Italy and Switzerland are classified as parliamentary democracies, although they may be seen as representing a "mixed type" and a "third type" (of directorial democracy). As to the second, difficulties arise when the parliamentary responsibility of government was introduced *de facto* but not *de jure* (Norway 1884 and Denmark 1901 seem to be clear cases, but Sweden 1917 may be disputed). The following classification has been used: (1) constitutional-dualistic monarchies: Austria, Denmark until 1901, (Finland), Germany, Norway until 1884, Sweden until 1917; (2) parliamentary democracies: Belgium, Denmark since 1901, France, Italy (?), Netherlands, Norway since 1884, Sweden since 1917, Switzerland, United Kingdom.
14. Bendix 1967, p. 331.
15. For this reason, the analysis by Collier and Messick 1975 is not very convincing.
16. Seventy-two instead of seventy-four laws are used in the analysis because two laws passed under the fascist regime in Italy are excluded since they could not be classified with respect to the level of political mobilization.
17. Collier and Messick 1975, p. 1310.
18. Norway seems to be a special case, since one of its two main periods came "too early" (1906-09), and the other "too late" (1936-38) with respect to the combined levels of problem pressure.

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Chapter 3

The Development of Welfare States in North America

Robert T. Kudrle and Theodore R. Marmor

Introduction

Many discussions of the development of the welfare state have contrasted the experience of the United States with that of Western Europe. The commonplace claim is that the United States has been a "laggard" in the development of programs found elsewhere.¹ Various factors have been cited as contributing to the difference: the absence of feudalism, a democratic political system that emerged prior to a large working class, a relatively low level of status differentiation, and high per capita income.² The other major North American state, Canada, has received little attention in the growing comparative literature on welfare state policy. In recent years, however, American policy analysts have begun to investigate the Canadian experience to extract policy lessons for the United States. This has usually involved areas in which policies have been implemented in Canada before being debated and introduced in the United States. Other investigators have argued that a more careful look at Canada can illuminate the past development of U.S. public policy.³

Our comparison of Canadian and U.S. welfare state developments will attempt to identify both what unique characteristics distinguish the two North America countries and what common features set them apart from the countries of Western Europe. The first section of the paper will place the introduction of major social programs in an international perspective. The second discusses some of the major Canadian-American differences in