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Abstract

Britain and Germany have been experiencing significant changes in the nature of work and welfare since the 1990s. Although important differences have remained, there have been compelling indications of a dual transformation of welfare constituted not only by a far-reaching retrenchment in unemployment insurance but also by a remarkable expansion in family policy. These developments have their functional underpinnings in accelerating deindustrialization with a declining proportion of the male workforce with specific skills as well as in service sector growth and rising female labor market participation characterized by an increase in general skills. As the aggregate effect of economic fluctuations in industrial production has diminished over time, the relative incidence of work disruptions that have arisen from maternity and child-rearing has increased substantially. This dual transformation in welfare and employment patterns suggests that the process of deindustrialization has initiated significant path adjustments unanticipated in the existing comparative political economy literature.

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Although Britain and Germany have traditionally been viewed as contrasting models of political economy, both countries have experienced similar trends in structural and institutional change over time. In each case, deindustrialization, service sector growth, a contracting male-dominated industrial workforce, and the growing number of women in the labor market have altered postwar configurations of work and welfare. However, instead of reinforcing national differences or resulting in a wholesale convergence on minimal levels of social policy, such changes have led to a dual transformation in the national compositions of social protection and human capital. As the British and German economies have become respectively postindustrial, unemployment insurance has been retrenched whereas family policy has been expanded. Such reforms have been concurrent with significant shifts in social risk and occupational skills in both national labor markets. A decreasing proportion of the workforce with skills specific to particular crafts and production processes has meant that the number of individuals susceptible to structural and cyclical unemployment in industry has markedly declined. In addition, an increasing proportion of the workforce with skills transferable across the broader service sector economy has meant that the number of workers, especially women, affected by employment disruptions because of family responsibilities has grown substantially. This apparent dual transformation of the welfare state and the labor market in Britain and Germany provides important insight into how cross-national social and economic models have changed over time.

Britain and Germany constitute ideal case studies for a comparative analysis of the hypothesized dual transformation. Both countries serve as prime European examples of the cross-national typologies of capitalist and welfare regimes identified in the comparative political economy literature (Esping-Andersen, 1990; Hall & Soskice, 2001; Soskice, 1991, 1999). Welfare in Britain is thought to be minimalist in nature and determined by means testing, whereas benefits in Germany are seen as being more generous with an earnings-related dimension aimed at status maintenance (Esping-Andersen, 1990, 1999). Workforce skills are considered to be relatively interchangeable in Britain and mobile between sectors of the economy, whereas they are believed to be more specialized in Germany and specific to the operations of

particular industries (Estévez-Abe, Iversen, & Soskice, 2001; Iversen, 2005; Iversen & Soskice, 2001). Despite these differences, both countries have been noted for their strong male breadwinner models in which women receive little support for engaging in paid employment and have been primarily perceived as homemakers and caregivers (Lewis, 1992; Ostner & Lewis, 1995).

Although deindustrialization has progressed at different paces in Britain and Germany (Iversen & Cusack, 2000, pp. 327-328), its staggered effect has culminated in broadly comparable outcomes. Declining employment in the manufacturing sector as a percentage of the national labor force relative to rising employment in the service sector has been occurring in Britain since the mid-1970s and has been gaining momentum in Germany since the mid-1990s. As a consequence, by the 1990s a number of the key structural and institutional differences that had long been seen as separating the post-war British and German political economies had begun to erode. In particular, the contraction of specific skills in Germany poses a significant empirical challenge to the functional assumptions implicit in theories of cross-national typologies of human capital development and welfare states (see, e.g., Estévez-Abe et al., 2001; Iversen & Stephens, 2008). As recent research has shown, the implications of shifting national skill profiles within Continental European economies are only starting to become fully recognized (see, e.g., Culpepper, 2007).

The development of the service sector economy in both countries has been two pronged. Not only has it reinforced the role of unskilled labor in national economies, but also it has resulted in the proliferation of the proportion of highly skilled workers in the labor market. Consequently, a modification of Oi's (1962) and Becker's (1964) original dichotomy between specific and general skills, which has become a prominent feature in the literature (Estévez-Abe et al., 2001; Iversen & Soskice, 2001), is necessary to account for the specific skills that have been prevalent in the manufacturing sector and for the *high-* and *low-*general skills that have predominated at both ends of the service sector. The lagged trajectories of unemployment insurance retrenchment and family policy expansion between Britain and Germany therefore need to be accounted for within this postindustrial context (see, e.g., Bonoli, 2007).

Our article is structured in four parts. In the next part, we first discuss structural and institutional developments in Britain and Germany and then outline our approach to the analysis of cross-national changes in work and welfare, including the development of a new skills schema to better grasp the

transition toward postindustrialism. This is followed by a review of labor market and family policy developments since the 1990s, through which we develop the proposition of a dual transformation of social protection in both countries. We examine the changing socioeconomic underpinnings of social protection in the penultimate section, before concluding. The analysis we present enables us to develop a very strong case for the importance of changing national skill compositions in recent welfare state developments.¹

Explaining Varieties of Work and Welfare

The different nature of work and welfare in postwar Britain and Germany has been well documented in the literature. The emergence of distinctive welfare regimes is said to be primarily related to partisanship. Partisanship has accounted for the unevenness of welfare state expansion in Britain, mainly spearheaded by intermittent Labour governments, as compared to the relative stability of “conservative-Catholic” social reform initiatives in Germany during the postwar period (Esping-Andersen, 1990; Huber & Stephens, 2001). Production regimes are reported to have developed somewhat differently. Varieties of political and economic organization in both countries have their roots in structural and institutional developments of the 19th century as well as in concurrent settlements between management and labor over contractual solutions to transaction costs (Crouch, 1993; Iversen & Soskice, 2009; Thelen, 2004). Following the Second World War, Fordist production in Western Europe was adapted to fit the particular attributes of diverse industrial relations systems, resulting in distinctive national variants of mass production processes (Streeck, 1996, p. 139). Such initial cross-national differences are believed to have deepened further by the early 1970s as Fordist practices became outmoded (Iversen, 2005, p. 65; Streeck, 1991).

In the case of Germany, investments in new technologies during the 1970s enabled manufacturers to capitalize on comparatively large numbers of apprenticed and vocationally trained workers concentrated in production industries (Kern & Schumann, 1989; Lane, 1988). These firms were well positioned to pursue business models based on flexible and specialized manufacturing processes in which employees with specific skills could be deployed (Piore & Sabel, 1984; Streeck, 1991). In addition, the German government used the social insurance system, especially early retirement (Ebbinghaus, 2006), to provide a smooth adjustment to labor market changes triggered by deindustrialization. A high tax wedge and the political unwillingness to expand the public sector have hampered employment

growth in the low-skill service sector (Scharpf, 1995). In contrast, this same period in Britain was marked by an ineffective macroeconomic policy, a disjointed corporatist approach, and industrial stagnation (see, e.g., Crouch, 1977; Soskice, 1984). The weakness of employment protection and training exacerbated skill shortages, which hindered the ability of British manufacturers to implement flexible production strategies (Finegold & Soskice, 1988; Hall, 2007, p. 46; Lane, 1988). Furthermore, coordination problems were endemic to tripartite planning (King & Wood, 1999; Mares, 2006). However, this changed with a realignment toward labor market flexibility and general skills under the Thatcher governments of the 1980s (Hall, 2007; Wood, 2001). Consequently, from the mid-1970s onward, a relationship was forged between specific skills and Germany's industrial-oriented economy and general skills and Britain's service-oriented economy.

Although a distinction between specific and general skills has captured key differences in British and German postwar economic development, changes in the national composition of human capital have become more pronounced with postindustrial trends. The comparative political economy literature on skills has used the International Standard Classification of Occupations (ISCO-88) as a tool for "organizing all jobs in a firm, industry or country into a clearly defined set of groups according to the task and duties undertaken in the job" (Hoffmann, 1999, p. 3; see, e.g., Cusack, Iversen, & Rehm, 2006; Iversen, 2005; Iversen & Soskice, 2001; Rehm, 2009). Since it is extraneous to ISCO-88 whether the acquisition of skills occurred through formal or informal training, this classification can be used to map the occupational composition of national economies regardless of the nature of their respective skill formation regimes. ISCO-88 differentiates among nine major groups of composite occupational categories.² To capture the complexity of tasks in different jobs, it distinguishes among four "skill levels." This includes primary education of about 5 years (first skill level), first and second stages of secondary education (second skill level), postsecondary but nontertiary education of about 4 years leading to a qualification not equivalent to a university degree (third skill level), and tertiary education culminating in the award of an undergraduate or postgraduate university degree (fourth skill level).³

The established model in the literature for determining the specialization of occupational skills is based on a measurement formulated by Iversen and Soskice (2001). According to this approach, the absolute skill specificity of each major group is a function of two ratios: (a) the number of detailed occupational titles, or unit groups, that compose each major group divided by all

Table 1. Classification of Occupations According to Esping-Andersen (1993, pp. 24-25)

Fordist hierarchy	Postindustrial hierarchy
Managers and proprietors	Professionals and scientists
Clerical, administrative and sales workers (nonmanagerial)	Technicians and semiprofessionals
Skilled and crafts manual production workers	Skilled service workers
Unskilled and semiskilled manual production workers	Unskilled service workers, or service proletariat

of the 390 unit groups that compose ISCO-88 and (b) the share of each major group as a percentage of the entire workforce. These two ratios are divided one by the other to derive a measurement of absolute skill specificity for each of the major groups, which is in turn divided by the group’s corresponding ISCO skill level to calculate its relative skill specificity in relation to other major groups (Iversen, 2005, pp. 93-94; Iversen & Soskice, 2001, p. 881). Although this is a systematic measurement, it is unclear whether it necessarily sheds greater insight into the specialization of occupational skills. For instance, according to this approach, workers belonging to the major group of unskilled “elementary occupations” have higher skill specificity than workers belonging to the major group of skilled “craft and related workers” (Iversen, 2005, p. 27). In addition, this measurement does not capture how changes in the proportion of occupational groupings in the workforce and the number of job classifications in industries can alter proxies of skill specificity over time. Alternatively, we suggest a modification of Esping-Andersen’s (1993, pp. 24-25) occupational classification schema in which a distinction is made between a Fordist and postindustrial hierarchy of occupations (see Table 1).

We propose the integration of Esping-Andersen’s hierarchies with the ISCO-88 major group classifications to form a single schema to take account of changes in national skill composition over time (see Table 2). We also suggest a distinction among three skill sets, namely high-general, low-general, and specific, to account for the potential of skill polarization in postindustrial economies (Esping-Andersen, 1993, 1999). We classify “legislators, senior officials, and managers” (Major Group 1) and “professionals” (Major Group 2) as groupings of occupations requiring high-general skills.⁴ Although “professionals” is the only group that is ascribed to the fourth skill level, “legislators, senior officials, and managers” are not

Table 2. Skills Reclassification

Major group	Occupation	Skills category
1	Legislators, senior officials, and managers	High-general
2	Professionals	High-general
3	Technicians and associate professionals	High-general
4	Clerks	Low-general
5	Service workers and shop and market sales workers	Low-general
7	Craft and related workers	Specific
8	Plant and machine operators and assemblers	Specific
9	Elementary occupations	Low-general

classified in terms of skill level since this category is viewed as being united by the similarity of the tasks involved rather than by the skills themselves. Nonetheless, high educational attainment can be assumed for this occupational group as a result of increasing professionalization. Furthermore, in terms of portability, it can be argued that the skills of both groups are not bound to specific firms or industries. At the other end of the general skills spectrum, we identify “elementary occupations” (Major Group 9), “service workers and shop and market sales workers” (Major Group 5), and “clerks” (Major Group 4) as the holders of skills that can be applied to different firms and industries. However, in contrast to the first two groups, these occupations require skills at only the first and second levels. Hence, these three groups are classified as low-general skills.

“Craft and related workers” (Major Group 7) and “plant and machine operators and assemblers” (Major Group 8) also require skills at only the second level. However, the productivity derived from the competencies of employees in these groups should be of disproportionate value to the firm or industry in which their skills have been acquired (Becker, 1964, p. 17; Oi, 1962, p. 540). In addition, the portability of their skills should be relatively limited compared to other groups, leading us to categorize these occupations as belonging to the specific skills category. The most difficult occupations to classify are “technicians and associate professionals” (Major Group 3). Employees in these occupations normally have a postsecondary but nontertiary education, which is at the third skill level. In terms of education and skill

portability, this group falls between professionals on one hand and craft and related workers on the other. Although technicians and associate professionals in engineering, particularly in the manufacturing sector, might be categorized as having specific skills, others such as associate professionals in computing and education might be better characterized in terms of high-general skills. Moreover, the majority of occupations in this group, such as those in computing, teaching, life sciences, and sales, can be assumed to be relatively transferable across firms and industries in comparison to occupations requiring firm-specific and industry-specific craft, machine operating, and assembly skills.⁵ In accordance with data limitations, we therefore ascribe “technicians and associate professionals,” which Esping-Andersen describes as postindustrial occupations, to the high-general skills category.

Before turning toward an empirical analysis of the changing socioeconomic underpinnings of social protection measures, we review recent welfare state developments in Britain and Germany for the development of our case for the dual transformation of social protection in both countries.

Reconceptualizing Trajectories of Social Protection

Following the logic implicit in existing explanations of cross-national varieties of work and welfare, a number of assumptions can be made about the nature of British and German social protection. In the case of Germany, unemployment insurance should be robust, whereas family policy should be weak. Moreover, considering the liberal character of the British welfare state, both unemployment insurance and family policy should be minimal. However, despite the persistence of such trends over the postwar period, during the past decade significant changes in both countries have become increasingly observable.

Unemployment insurance is considered to be one of the main pillars of Germany’s postwar social consensus and a critical factor in human capital development. The German social insurance system ensures the preservation of a recipient’s socioeconomic status through the maintenance of previous income differentials achieved while in employment (Esping-Andersen, 1996). This emphasis is linked to the normative expectation that the “achieved standard of living” (*Lebensstandardsicherung*) of wage earners will be protected during periods of involuntary unemployment. Accordingly, German unemployment insurance is said to be based on three statutory guidelines. First, benefits should be generous as characterized by high replacement rates linked to a recipient’s previous earnings. Second, benefit

duration should provide for continued coverage during periods of layoff. Third, the resumption of employment should be dependent on the availability of “suitable” work. As a result, the benefit recipient should not be required to accept a job unless it is in a similar occupation and at a similar level of pay as that previously held (Seeleib-Kaiser, 2002). These provisions are seen in the literature as necessary in guaranteeing specific skill investments (Estévez-Abe et al., 2001).

However, a number of important policy reforms that have been undertaken since the mid-1990s have served to significantly reshape the nature of German unemployment protection. Although such developments have been typically explained as constituting relatively minor policy adjustments in the political economy literature (see, e.g., Hall, 2007, p. 70; Streeck & Kitschelt, 2003), we argue that these changes have considerably altered the nature of German labor market policy. One of the most significant transformations in this regard was the passing of the Labor Promotion Reform Law of 1997-98, which vastly curtailed the ability of those receiving benefits to be selective in their choice of prospective employment opportunities. Although in the past an unemployed worker could have rejected job offers that were “below” his or her former occupational status, under the new law any job that paid up to 20% less than one’s previous employment would be deemed suitable within the first 3 months of unemployment. From the 4th to the 6th month, any job offer paying up to 30% less would be considered acceptable. From the 7th month of receiving benefits, any job with a net wage equal to the unemployment insurance payment would be defined as being suitable. In addition, some reductions in the maximum duration of benefit receipt were enacted and decreases in public expenditure for qualification and training measures were implemented. In 2004, the unemployment and social assistance schemes were integrated into a single flat-rate and means-tested program for the long-term unemployed as well as for those ineligible for the receipt of earnings-related benefits. This reform was complemented by a significant reduction in the regular maximum duration of benefits to 12 months. Older workers are currently entitled to a maximum benefit duration of 24 months instead of the previous 32 months.⁶ Since the early 2000s, the majority of unemployed workers have received means-tested benefits (Bleses & Seeleib-Kaiser, 2004, pp. 48-67; Seeleib-Kaiser & Fleckenstein, 2007). This combination of policy shifts has had important implications for specific-skilled workers who would now appear to be required to accept lower paid or even low-wage jobs outside their established occupation.

In keeping with Christian-Democratic principles, the German welfare state has for decades bolstered traditional family structures by promoting the

role of men as wage earners and that of women as caregivers (Ostner & Lewis, 1995). Furthermore, it has been argued that the limited scope of parental leave policies and the scarcity of publicly provided all-day child care facilities, especially for children younger than 3, has served to discourage mothers from employment. However, following increases in female labor force participation during the 1980s and the 1990s, family policy began to undergo considerable transformation by the late 1990s. Between 1998 and 2005 the center-left government of Social Democrats and Greens reformed the parental benefit by entitling parents to take payments simultaneously while working part-time for a maximum of 30 rather than 19 hours. In addition, the option of paid leave for 12 instead of 24 months with an improved monthly benefit was established and an entitlement to part-time work was introduced (Bleses & Seeleib-Kaiser, 2004, pp. 79-89). In 2007, the Grand Coalition of Christian and Social Democrats introduced a new earnings-related parental leave benefit with a wage replacement rate of 67%. The duration of this benefit was set at 12 months with 2 additional months should they be taken by the partner. The generosity and duration of parental leave measures have therefore been increased to levels roughly matching unemployment insurance. In addition, the leave regulation allows parents to work up to 30 hours per week while receiving a pro-rata benefit. Parents without previous employment can continue to receive a flat-rate benefit of 300 euros per month (BMFSFJ, 2007, pp. 7-14).

In 1992, the government introduced the right of every child between the ages of 3 and 6 to a place in a child care facility, which eventually became effective in 1999. Although 600,000 new child care places were created for children in this age group during this period, problems in coverage for children at other ages persisted. From 2002, the improvement of day care facilities for children younger than 3 became a priority for the federal government, which allocated 1.5 billion euros for this annually. An additional 4 billion euros was provided to the Länder and local authorities to establish all-day schools (Bleses & Seeleib-Kaiser, 2004, p. 86). Following a compromise within the Grand Coalition government in 2007, it is anticipated that child care capacity will fully meet demand over the coming years. The government plans to introduce child care entitlements for every child aged 1 year or older in 2013 by which time coverage is expected to have increased from approximately 14% in 2005-2006 to 35% (Seeleib-Kaiser, 2008).

Since its inception in 1911, British unemployment insurance had been distinguished by ungenerous benefit levels. However, during the mid-1960s a concerted effort was made to bolster benefits as part of a larger effort to

promote national economic competitiveness in manufacturing (Clasen, 1994, p. 76). This resulted in the introduction of the Earnings-Related Supplement (ERS) to unemployment insurance with the passing of the National Insurance Act of 1966. Yet this trend was relatively short lived, and in 1982 the ERS was discontinued by the Thatcher government, which returned benefits to a flat rate. The Jobseeker's Allowance (JSA) scheme, introduced by the Major government in 1996, shortened the duration of contributory-based benefits from 52 to 26 weeks and integrated the insurance-based and means-tested components of the system into a single scheme. An emphasis on activation policies has been increasingly rooted in benefit conditionality (Clasen, 2005, pp. 76-86).⁷

In contrast to Germany, Britain did not traditionally have an explicit family policy, since the concept of the family was rooted in the private sphere (Daly & Clavero, 2002, p. 88; Lewis & Campbell, 2007, p. 4). However, this philosophy changed fundamentally with the election of the Blair government in 1997. Building on the principle of activation, the Labour Party made a concerted effort to significantly increase female workforce participation. Insufficient affordable child care was considered to be an obstacle to the integration of women into the labor market, particularly for women in the low-wage sector and for single mothers. The 5-year National Childcare Strategy of 1998 included the provision of part-time child care and early education for 3- and 4-year-olds free of charge for 2.5 hours daily. The introduction of a tax credit and employer-provided vouchers also helped to make child care more affordable for working families. In 2004, the government proposed a follow-up with its 10-year strategy, which expanded free child care to 15 hours with the prospect of 20 hours and improved the generosity of the child care element of the Working Tax Credit.

New Labour also improved the statutory minimum for family-related leave schemes. Implementing the EU directive on parental leave, the Blair government established an entitlement of 3 months of unpaid parental leave with the Employment Relations Act of 1999. In addition, the right to unpaid family-related emergency leave for a reasonable time was granted to working parents.⁸ With the Employment Act of 2002, maternity leave was extended from 18 to 26 weeks of paid leave and a further 26 weeks of unpaid leave. Maternity pay received after earnings-related benefits, set at 90% of the recipient's previous weekly earnings for 6 weeks, was increased from £55.70 to £112.75 per week. In 2006, maternity pay was extended from 6 to 9 months (Clasen, 2005, pp. 166-178).

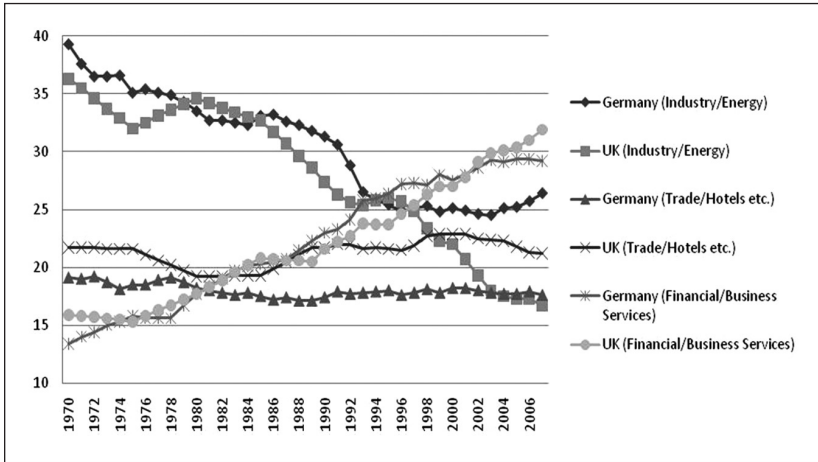


Figure 1. Value added by economic activity in Germany and the United Kingdom 1970-2007

Source: Organisation for Economic Co-operation and Development (2009).

Postindustrialism, Increased Female Employment, and Changed National Skill Profiles

Although Bleses and Seeleib-Kaiser (2004; cf. Seeleib-Kaiser, 2002) have highlighted changed ideational paradigms as a key causal factor leading to the dual transformation of the German welfare state, little consideration has been given to the socioeconomic changes that have underpinned this development. However, the institutional changes observed in both Britain and Germany are based on broader shifts associated with the process of deindustrialization and its cumulative impact on gender-related employment patterns and the national composition of skills. Even though there are many potential hypotheses for the retrenchment of unemployment insurance and the expansion of family policy, changing economic structures and labor markets can be considered as a foundational element of a multidimensional explanation.

The postwar welfare state was a complement to an industrial economy (Bonoli, 2007). Accordingly, industrialization was identified early on as a key driver of welfare state development (Wilensky, 1975). Although deindustrialization has progressed at different rates in Britain and Germany, as can be seen in Figure 1, the value added to the economy by production industries has dramatically declined and has risen by equal measure for financial and

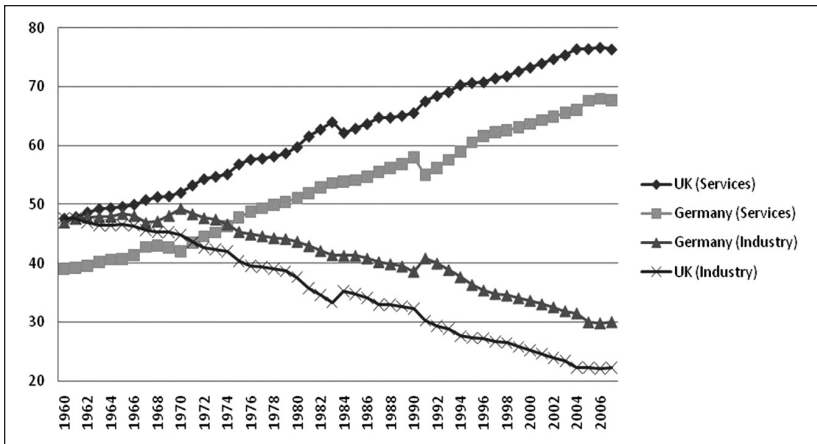


Figure 2. Employment rates by economic activity in Germany and the United Kingdom 1960-2007

Source: Organisation for Economic Co-operation and Development (2009).

business services in both countries since 1970. As illustrated in Figure 2, this trend has coincided with the decline of industry as a source of mass employment and the growth of service sector jobs in its stead.

Despite the acceleration of deindustrialization in both countries since the 1970s, the intensity of this process was far greater in Britain than in Germany. Temporally, this coincided with British retrenchments to unemployment insurance commencing at an earlier stage at the beginning of the 1980s and German reforms being initiated more than a decade and a half later at the end of the 1990s. For instance, the rate of industrial employment in Britain stood between 38% and 35% when the ERS to unemployment benefits was phased out between 1980 and 1982. Notably, this same level was reached in Germany between 1994 and 1998 during the period surrounding the Labor Promotion Reform Law. Moreover, JSA was introduced in 1996 when the rate of industrial employment had declined further to 27% of the British workforce, whereas the Hartz IV legislation was enacted in 2004, when it had respectively decreased to 32% of the German workforce. Consequently, reform was undertaken in both countries as the incidence of social risk associated with cyclical unemployment in manufacturing jobs became less prevalent over time, especially for men.

Conversely, the growth of the British and German service sectors has led to greater employment opportunities for both men and women as the number

Table 3. Incidence of Long-Term Unemployment (as Percentage of Total Unemployment)

	1994		2006	
	6 months and over	12 months and over	6 months and over	12 months and over
Germany	63.8	44.3	73.1	57.2
United Kingdom	63.4	45.4	40.9	22.1
EU-15	67.6	48.4	60.9	44.2
OECD	52.6	35.5	45.9	32.2

Source: Organisation for Economic Co-operation and Development (OECD, 2007, p. 265).

Table 4. Unemployment Rates by Educational Attainment, 2006

	Less than upper secondary education	Upper secondary education	Tertiary education
Germany	20.2	11.0	5.5
United Kingdom	6.6	3.2	2.0
EU-15	9.1	5.9	4.3
OECD	11.0	5.8	3.8

Source: Organisation for Economic Co-operation and Development (OECD, 2007, pp. 258-260).

of jobs requiring general skills has expanded. Although the decline in manufacturing initially led to increased unemployment in both countries, Britain was much quicker to adjust by developing a service economy, whereas Germany witnessed sustained high levels of unemployment, especially after the collapse of the East German manufacturing sector. In particular, the incidence of long-term unemployment has increased significantly in Germany. In 2006, almost 60% of the unemployed were without a job for more than 12 months (see Table 3). The risk of unemployment is especially high among workers with low qualifications (see Table 4).

The data for Germany seem to be in line with Esping-Andersen's (1999, p. 110) observation that "German postindustrialization provides no substantial employment outlet for either laid-off manual workers or less-qualified women". Although Britain historically had a significantly higher incidence

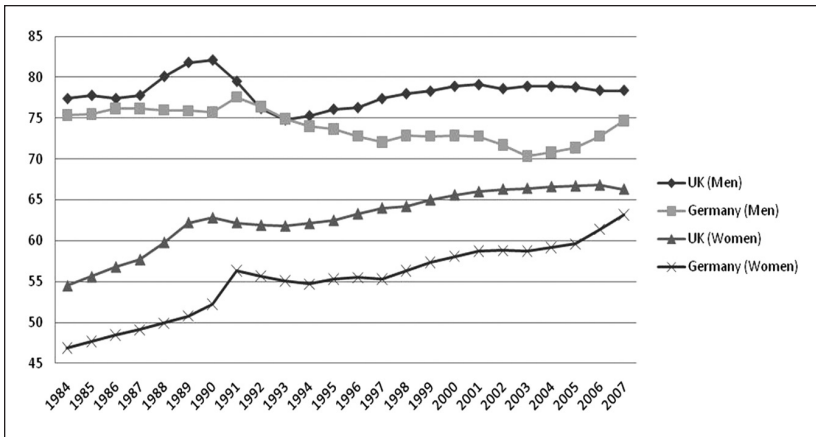


Figure 3. Employment rate by gender in Germany and the United Kingdom 1984-2007

Source: Organisation for Economic Co-operation and Development (2009).

of low-paid jobs, it has to be acknowledged that the incidence of low pay in Germany, measured as the share of workers earning less than two thirds of median earnings, has significantly increased from 11.1% in 1995 to 17.5% in 2006. This has almost reached the level in the United Kingdom, which has remained more or less constant at about 20% over the past decade (Organisation for Economic Co-operation and Development [OECD], 2008, p. 358).

Deindustrialization and service sector growth have been accompanied by a significant increase in female labor market participation as women have become vital to employment growth in the service economy. In particular, the expansion of female employment in Germany has been considerable, rising by more than a third between 1984 and 2007 and almost matching the British female employment rate (see Figure 3).

By applying a refined skills classification incorporating high-general, low-general, and specific skills, marked changes in cross-national labor market developments are brought into sharper focus.⁹ First, contrasts between Britain and Germany in the composition of workforce skills appear to be less pronounced than assumed in the literature. In both countries, a majority of workers are employed in jobs requiring general skills. They differ inasmuch as Britain has a higher percentage of workers employed in jobs requiring low-general skills, whereas employment requiring high-general skills has

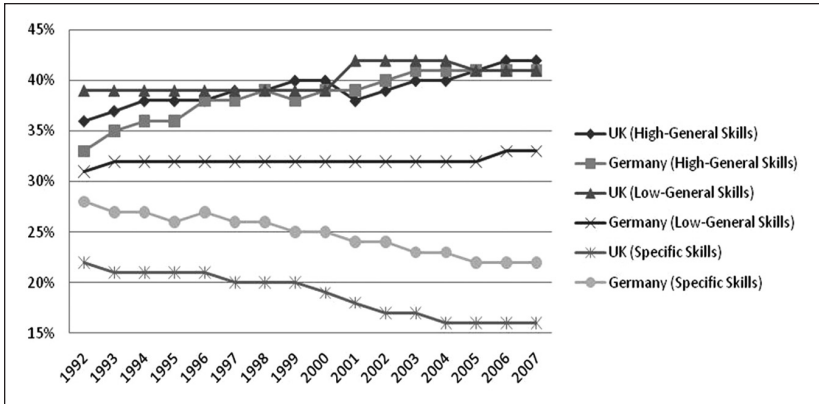


Figure 4. Employment by skills in Germany and the United Kingdom 1992-2007
 Source: Authors' calculations; Eurostat New Cronos data.

significantly increased in Germany. Although specific skills continue to be more prominent in the German labor market, they declined between 1992 and 2007 by nearly a quarter to only 22% of the German workforce. This deindustrializing trend has been joined by an equally dramatic growth in high-general skills, which increased during this period by nearly a quarter to 41% of the German workforce, just short of the level found in Britain (see Figure 4).

A pronounced decline in jobs requiring specific skills among men can also be observed. The male employment rate in such occupations decreased between 1992 and 2007 by just less than a quarter in Britain, whereas the decrease in Germany was nearly a fifth. Overall the skill composition among men in both countries is becoming much more polarized as employment gains have occurred primarily in sectors of the labor market requiring high-general skills (see Figure 5).

Female employment in occupations requiring specific skills is marginal in both countries (see, e.g., Estévez-Abe, 2006). With regard to high- and low-general skills, employment among women in both countries shows a high degree of skill polarization. Although Germany shows a narrower distribution between those employed in jobs requiring high-general skills and those requiring low-general skills, women in Britain are still more likely to be employed in low-skilled work. Notably, however, the share of women in highly skilled occupations has risen by more than a fifth between 1992 and 2007 up to 40% of Britain's female workforce (see Figure 6).

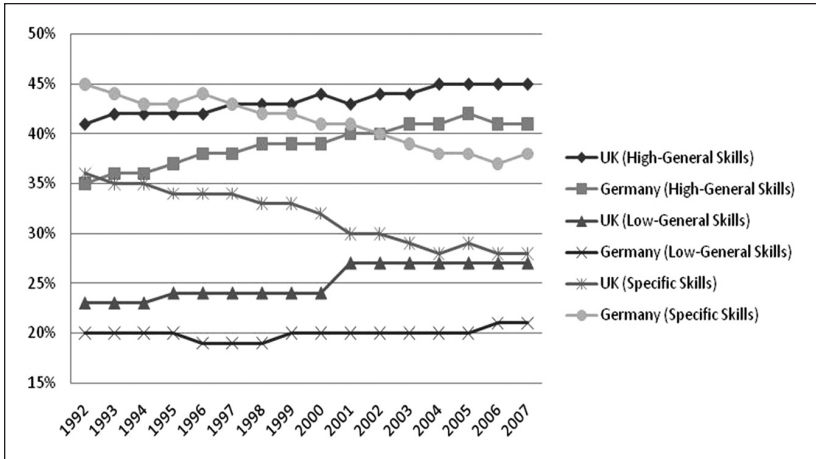


Figure 5. Male employment by skills in Germany and the United Kingdom 1992-2007

Source: Authors' calculations; Eurostat New Cronos data.

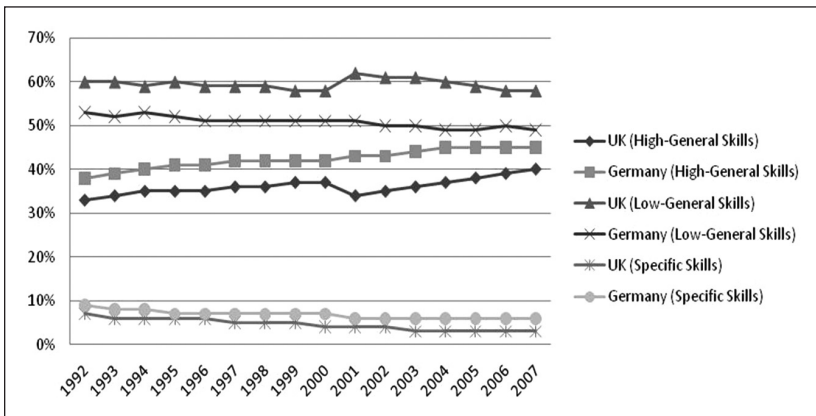


Figure 6. Female employment by skills in Germany and the United Kingdom 1992-2007

Source: Authors' calculations; Eurostat New Cronos data.

Overall, the data demonstrate that the German labor market is increasingly reliant on jobs requiring general skills, whereas the literature assumes a continued reliance on specific skills (see, e.g., Cusack et al., 2006; Estévez-Abe et al., 2001; Iversen, 2005; Iversen & Soskice, 2001; Iversen & Stephens,

2008). Employment growth in jobs requiring high-general skills has been faster than in the area of low-general skills. In contrast, jobs requiring low-general skills comprise a far larger share of the British labor market, a trend observed more than 20 years ago by Finegold and Soskice (1988).

An analysis of cross-national shifts in employment by skill bolsters arguments for a functional explanation for the changes witnessed in unemployment insurance, especially the retrenchment undertaken in Germany's coordinated economy. By the time reforms to job suitability criteria were enacted in 1997, only 26% of the German workforce was employed in occupations requiring specific skills. On the enactment of Hartz IV, this had decreased further to 23%. Although male employment in occupations requiring specific skills has remained above these levels, even this declined from 43% in 1997 to 38% in 2004. We acknowledge that the short-term unemployed continue to receive earnings-related unemployment benefits and that workers at the core continue to have reasonable employment protection. Inasmuch as Palier and Thelen (2010) are correct to speak of a *dualization* in social protection in Germany, this should not detract from the fact that even those core workers have experienced significant restrictions with regard to eligibility in recent years.

In contrast, family policies have been significantly expanded with a focus on measures supporting female employment. The growing number of women in the British and German labor force has increased the risk of income reduction because of maternity and child caring for a larger proportion of the workforce than had been previously experienced during the postwar era. The growing emphasis on family policy in both Britain and Germany has paralleled the expanding employment of women in occupations requiring high-general skills. In Britain, this rate increased from 33% in 1992 to 39% by 2007, whereas in Germany it rose from 38% in 1992 to 45% in 2007. The development of measures designed to insure women against "new" social risks has become an important policy area for employers interested in retaining female workers with high-general skills and for policy makers concerned with the reintegration of recent mothers at all socioeconomic levels into the labor market (Bonoli, 2005; Seeleib-Kaiser & Fleckenstein, 2009; Taylor-Gooby, 2004).

However, despite the growth of family policy in both countries, differences in the relationship between work and welfare in this area are evident. The relatively large number of jobs in Britain requiring low-general skills, particularly the high incidence of women in such jobs, has especially favored an expansion of family policies tailored toward those with lower incomes.¹⁰

From this perspective, the reservations of many British employers toward supporting the extension of leave arrangements are hardly surprising (Confederation of British Industry, 2006). In contrast, with the introduction of an earnings-related parental leave benefit in Germany, policy makers have focused family policy more toward the needs of female employees with high-general skills. German employers have been supportive of this measure, which is said to have provided an incentive for a faster return to employment following childbirth. Likewise, the debate on child care has centered around creating an environment that supports maternal employment, a measure that has also been advocated by businesses (BDA, 2006).

Conclusion

The comparative political economy literature does not adequately account for changes in both social protection and human capital in either the coordinated model of Germany or the liberal model of Britain. Institutional reform is typically said to have been limited by veto players, public opinion, and party competition (see, e.g., Huber & Stephens, 2001; Kitschelt, 2001; Pierson, 1996). However, evidence of a dual transformation across varieties of capitalism and different welfare regimes challenges these propositions that have dominated much of the welfare state literature. Based on partisanship and power resources theory, combined with a centralized political system, the reintroduction of a more generous unemployment insurance scheme and a comprehensive “modern” approach to family policy in Britain during the long reign of the Labour Party might have been expected. However, the rebranded “New” Labour Party not only refrained from dismantling Conservative Party reforms in unemployment insurance but also continued to proceed on the path taken by its Tory predecessors. With regard to employment-oriented family policy, the New Labour government made it clear from the outset that its policies were intended to benefit not only parents but also businesses. Apparently Labour, seeking political support from the business community, pursued rather modest reforms and was very careful not to push for policies “against markets” (Fleckenstein & Seeleib-Kaiser, 2009). Thus, instead of the major reforms in labor market and family policy expected from an incoming center-left government in an institutional context with no formal veto players, only moderate reforms were enacted.

The constitutional constraints presented by Germany’s political system as well as the presence of two welfare state parties should have impeded far-reaching retrenchment in unemployment protection (see, e.g., Katzenstein,

1987; Kitschelt, 2001; Schmidt, 2003). Based on the notion of partisanship, it was unexpected to see a Christian-Democratic family minister become the champion of a “Social-Democratic” employment-oriented family policy within a Grand Coalition government. Furthermore, the federal government overcame a number of obstacles in the domain of child care since provision is constitutionally within the prerogative of the Länder. As in the British case, conventional theories would have expected a different reform trajectory in Germany. The retrenchment in unemployment insurance under Social-Democratic leadership and the comprehensive expansion of employment-oriented family policies under Christian-Democratic leadership could not have been anticipated based on existing theory.

The literature has also maintained that national differences in the skill composition of the electorate have shaped policy preferences and defined the options that governments can pursue (Cusack et al., 2006; Iversen & Soskice, 2001; Rehm, 2009). We wish to highlight, however, that public opinion data for both countries suggest that an overwhelming majority of the electorate seems to have been opposed to retrenchment in unemployment insurance. Although we do witness differences according to skill level, these do not seem to have been relevant at a substantive level. It is interesting to note that the support for an expansion of unemployment insurance collapsed among all skill groups once the policy had been retrenched in Britain. By the mid-1990s, very strong support among all skill groups for increased paid maternity leave as well as support for child care benefits could be observed. Popular support combined with large majorities should have suggested a much more comprehensive family policy expansion in Britain.¹¹

In light of these arguments and our findings presented in the main part of this article, we contend that deindustrialization, the expansion of service sector employment, the rise in female labor market participation, and the changing composition of skills have had far-reaching effects across national social and economic models. Although deindustrialization has been typically discussed as a key driver for social policy expansion (Iversen & Cusack, 2000), we argue that the decline of the industrial sector and the rise of services have eroded the functional underpinnings of earnings-related social protection for the unemployed and facilitated a sharp decline in benefit generosity and duration in both Britain and Germany. In particular, the contraction of specific skills and the expansion of general skills in postindustrial Germany have increasingly undermined the functional basis for comprehensive unemployment insurance as a key element of the German coordinated model.

An unprecedented growth in private services has consequently sharpened the demand for general skills not only among British employers but increasingly among German employers as well. Although the uptake of such jobs among men has been facilitated by the shrinking of the manufacturing sector, employment in private services has also been met by the addition of growing numbers of women to the workforce. However, this expansion in female labor market participation has been accompanied by the corresponding “new” social risks of childbirth and child rearing. This has provided the functional underpinnings for the expansion of employment-oriented family policies that facilitate the reconciliation of work and family life. From this point of view, the *dual transformation* of social protection and human capital in Britain and Germany follows a logic that contrasts with the received wisdom in the literature that emphasizes “permanent austerity” (Pierson, 2001) and competitive pressures associated with global economic integration. In a similar vein, Bonoli (2005) has argued that welfare policies that address new social risks such as work–life conflicts could receive employer support, as these policies encourage female labor force participation, which is perceived as being ever more important in light of demographic developments and skills shortages (OECD, 2001, p. 129). In other words, employment-oriented family policies can be understood as *policies for the market* in a similar way as unemployment insurance has been (cf. Estévez-Abe et al., 2001; Iversen, 2005). This logic would appear to be applicable across national models. Notably, such an observation is inconsistent with the existing literature in which distinctive cross-national approaches to postindustrialism have been identified (see, e.g., Iversen & Cusack, 2000; Iversen & Stephens, 2008; Iversen & Wren, 1998). Consequently, postindustrial developments in social protection and human capital suggest that Britain and Germany have embarked on a shared path of structural change and corresponding institutional reform.

By making a distinction between high- and low-general skills, greater insight can be gained in mapping trajectories of postindustrial social protection. Countries with a predominance of low-general skills among female workers may be expected to develop rather minimalist public social policies that address new social risks that focus on low-income groups, as is the case in Britain.¹² In contrast, economies with a greater share of high-general skills in the female labor force may develop more generous postindustrial welfare, as has been the case with the new parental benefit in Germany. The concept of high- and low-general skills therefore aids in drawing a more nuanced picture of postindustrial employment patterns by transcending the binary

distinction between general and specific skills currently used in the literature. In doing so, it sheds greater light on the political economy of welfare states in postindustrial societies, thus opening a new path of inquiry.

Appendix

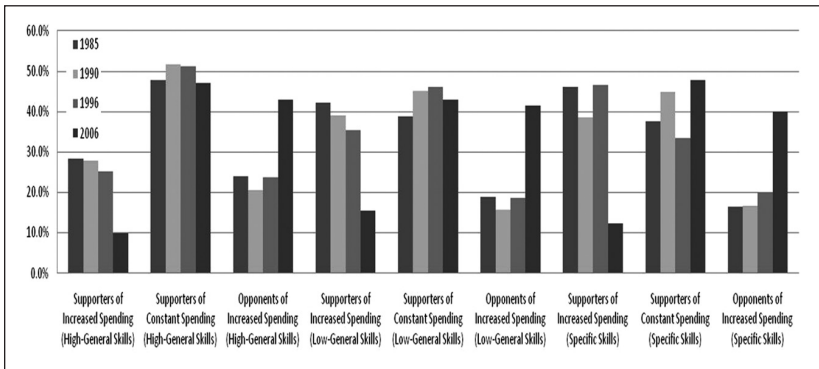


Figure A1. Attitudes toward increased government spending on unemployment benefits by skills in Britain

Source: Authors' calculations; ISSP, Role of Government survey.

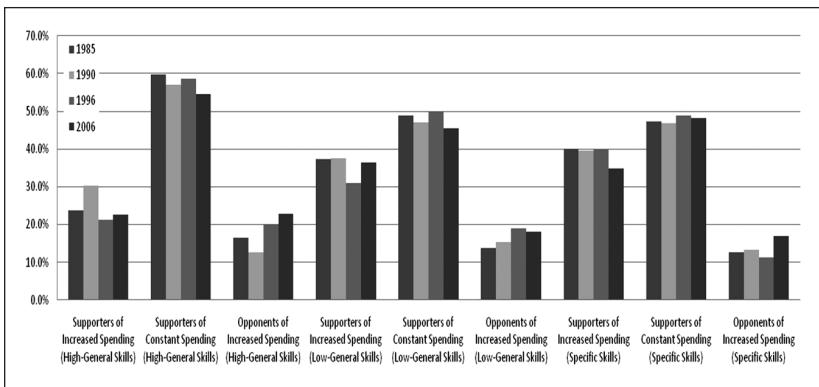


Figure A2. Attitudes toward increased government spending on unemployment benefits by skills in Germany

Source: Authors' calculations; ISSP, Role of Government survey.

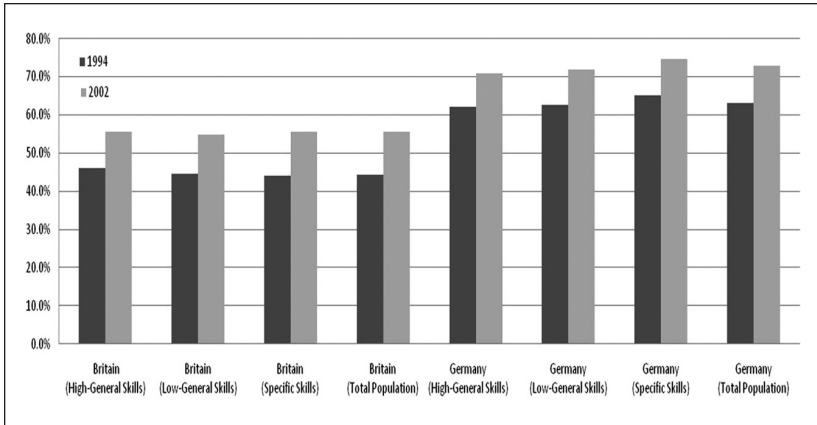


Figure A3. Support for increased child care benefits by skill in Britain and Germany
Source: Authors' calculations; ISSP, Family and Changing Gender Roles survey.

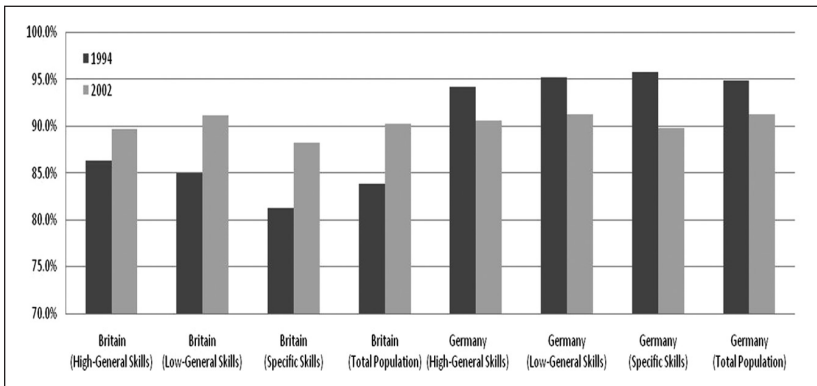


Figure A4. Support for increased paid maternity leave by skill in Britain and Germany
Source: Authors' calculations; ISSP, Family and Changing Gender Roles survey.

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Notes

1. However, the establishment of solid causal linkages between socioeconomic change and the dual transformation of social protection requires an in-depth analysis of actors' policy preferences and the politics of postindustrial social policy, which goes beyond the scope of this article.
2. The nine major groups include (a) legislators, senior officials, and managers; (b) professionals; (c) technicians and associate professionals; (d) clerks; (e) service workers and shop and market sales workers; (f) skilled agricultural and fishery workers; (g) craft and related trades workers; (h) plant and machine operators and assemblers; and (i) elementary occupations.
3. Please see <http://www.ilo.org/public/english/bureau/stat/isco/isco88/publ2.htm>.
4. This conceptualization coincides with Gouldner's (1979) and Goldthorpe's (1982) assumptions about class.
5. Even if one would have ascribed associate professionals in physical, mathematical, and engineering sciences to the specific skills category, despite the inclusion of computing science in this submajor group, this would not have changed the trend in our empirical findings. We also did not include the major groups of "skilled agricultural and fishery workers" and "armed forces," Major Groups 6 and 0, respectively, since we focus on mapping changes in the skills composition in the transition from industrial to postindustrial economies.
6. Initially the maximum duration of benefit receipt for older workers was cut to 18 months but was once again extended by the Grand Coalition government in 2007.
7. However, it is important to note that in some regions incapacity benefits (disability benefits) have been used as a functional equivalent to more generous unemployment insurance (Kemp, 2008).

8. A reasonable amount of time refers to the time needed to make care arrangements rather than the time needed to care for the child.
9. Since German unification presents unique issues of data comparability and limitations, we restrict our empirical analysis of employment by skills to data available from 1992 onward.
10. However, we acknowledge that some improvements for middle-income households were introduced as well.
11. These arguments are based on an analysis of International Social Survey Programme (ISSP) data. We examined the following questions: “Government should spend money: Unemployment benefits” (ISSP 1985, Q: 22g; ISSP 1990 Q: 11g; ISSP 1996 Q: 10g; ISSP 2006 Q: 6g) from the Role of Government survey; and “Working women should receive paid maternity leave when they have a baby” (ISSP 1994 Q: 14a; ISSP 2002 Q: 6a) and “Families should receive financial benefits for child care when both parents work” (ISSP 1994 Q: 14b; ISSP 2002 Q: 6b) from the Family and Changing Gender Roles survey. For details of the results please see the appendix.
12. However, it should be noted that provision has been much higher by employers in Britain, compared to Germany (Seeleib-Kaiser & Fleckenstein, 2009), and some sectors requiring high-general skills, such as financial services, have been pioneers in providing occupational family policies (Whitehouse, Haynes, Macdonald, & Arts, 2007).

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