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JOCHEN CLASEN AND
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Changing Principles in European Social Security

Those are my principles. If you don't like them I have others.
(Groucho Marx, 1890-1977)

Abstract: The provision of social security benefits rests on normative principles of social justice. Most strongly manifest in earnings-related social insurance, the principle of reciprocity has been increasingly questioned on grounds of equity, adequacy and fiscal viability, in the wake of socio-economic changes (e.g. post-industrialisation, globalisation) and political developments (e.g. Europeanisation). Universalist programmes seem extraordinarily expensive under tight public budgets, and could be criticised as inequitable at a time when middle classes increasingly rely on individual and occupational forms of income security. The principle of need appears to have become more prominent within modern European social security systems keen on targeting resources.

Is there empirical evidence which would reflect these alleged trends? Concentrating on three principles inherent in social security transfers (need, universalism and reciprocity) the major concerns of this article are conceptual and empirical. First, it addresses the problem of operationalising social security principles and delineating indicators of change over time. Second, it applies two of these indicators in order to identify and compare the extent to which the three principles have gained or lost prominence since the early 1980s, with empirical evidence taken from the Netherlands, United Kingdom, Germany and Scandinavia.

The article argues first that, applying either indicator, there is no cross-national trend towards squeezing reciprocity-based social insurance, but that a convergence between erstwhile strong (Bismarckian) and weak (Beveridgean) principled programmes can be identified. Second, a clear trend towards needs-based social security can be identified within the 'legal' but not within the 'volume' perspective, at least in some programmes and some claimant groups. This is due to both policy changes and favourable labour market conditions. Third, two countries indicate very

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diverse trends. British social security is distinctive in terms of the erosion of Beveridgean reciprocity, as well as the growing strength of the needs principle. In the Netherlands, there have been considerable shifts in principles underlying certain programmes, but no general trend in either direction can be observed. On the whole, Dutch social security continues to exhibit a strong mix of principles.

1. INTRODUCTION

After expanding rapidly in the aftermath of World War II, the early 1980s saw many social security systems in Europe entering a phase of rethinking, retrenchment and reconstruction. Apart from the fiscal crisis which followed the oil price shock of the early seventies, and subsequent economic recession, other factors contributed to this, including an expanding new-right ideology (marketisation, privatisation) and pressures on welfare states to adjust to a changing society (increased labour participation of women, population ageing, growing plurality of households, work flexibilisation, etc). Policy changes in national social security programmes have been recorded in detail (e.g. MISSOC, various years). They have spawned comparative analyses from a variety of perspectives (e.g. Kautto *et al.*, 1999; 2001; Kuhnle, 2000). A major theoretical interest has been the identification of the relative strength of causal factors impinging on reforms, such as socio-economic pressures or challenges to institutional capacities which facilitate or constrain policy adaptation and thus lead to path-dependent change (e.g. Esping-Andersen, 1996; Scharpf and Schmidt, 2000). According to the 'new politics of the welfare state' (Pierson, 2001), a new theoretical framework is required for an understanding of these changes in welfare arrangements.

The preferred indicators of change have been spending on social protection, the generosity of transfers and services (replacement rates and other indicators) and the more general perspective of institutional change or stability. A few studies have looked into the manifestation of and change in principles underlying social rights. Clasen *et al.* (2001), for example, defined and examined shifts in the nature of the relationship between work and unemployment compensation, i.e. how far social rights are based on conditions pertaining to previous or future employment. In a sophisticated attempt at classification, Bolderson and Mabbett (1995) analysed the complexity of principles inherent within four social security schemes in seven countries by way of drawing analogies with allocative principles found in market exchange, public policy and taxation.

Less ambitious in terms of typologising, this article is concerned with the classic principles of redistributive justice underlying social rights, i.e. need, reciprocity and universalism. There are a number of reasons why we should expect changes to have occurred in the relative scope of the three principles. These are briefly discussed in section 3. However, rather than attempting to strengthen or weaken theoretical accounts of change, this article has other central concerns. The first one is conceptual: to clarify what we mean by social security principles, examining the ways in which their relative scope can be identified and delineating indicators of

change over time (section 2). The second is empirical: to use two of these indicators to identify and compare trends within a selection of European countries (section 4). The final section (section 5) presents some preliminary results.

The analysis takes the early 1980s as its starting point because we assume that the pressure for welfare restructuring, and not simply cost containment, became manifest after the second oil price shock. Its empirical basis is confined to national cash transfer programmes, leaving out parallel developments in tax allowances, occupational and private benefits. These are important for an assessment of the respective role of social security within the overall package of income protection over time. However, we concentrate here on the relative scope of different principles within social security, i.e. the (changing) profile of publicly-provided benefits, not their overall scope in relation to other forms of income maintenance. For reasons of expediency we concentrate on three major social security principles but acknowledge that there are others, such as compensation (for accidents, war victims etc.), which may have a strong profile in some European countries. Our empirical reference countries (United Kingdom, Germany, the Netherlands, Denmark, Sweden and Finland) are not meant to be representative of European social security. However, they display a substantial variation of social security traditions and, within a European context, include countries in which the three principles have been most pronounced, i.e. Germany and the Netherlands (reciprocity), Scandinavia (universalism) and the UK (need). Only a full review of all national social security programmes would allow interpretations about the overall direction of change. The evidence presented here does not claim to be exhaustive in this sense. Nevertheless, based on a review of some major changes, some tentative inferences about trends can be made.

2. PRINCIPLES, INSTRUMENTS AND MEASURING CHANGE – A CLOSER LOOK

2.1 *Principles and instruments*

In some respects all social security schemes are needs-based given that they have developed in response to the needs of (groups of) citizens that stem from certain (politically legitimated and acknowledged) social contingencies. Here we are interested in three principal types of response. Underlying each type is a typical normative view of the character of the need which is responded to, and a related use of one of three basic principles of redistributive justice: need, equity and equality (Deutsch, 1975; Schwinger, 1980). A first type of response, aimed at poverty relief, sees need as arising only from the moment that a minimal level of subsistence is not met. Based on what is generally called the principle of need, this response redistributes resources only to the worst off. In social security practice the typical instrument used for assessing 'true need' is the means test. A second type of response, aimed at the preservation of living standards, sees need as arising when an achieved standard of living is threatened. It redistributes resources to those who are regarded as being in need on grounds of the equity principle: those who have achieved more, are given

more, so that initial status (or income) differences are reproduced. In social security practice, the relationship between wages, contributions and payments is a typical manifestation of this type of response. The third type of response sees need not so much as an issue of minimal or differentiated living standards, but as a broader condition of citizens, as an issue of general well-being. The aim here is not to relieve citizens from neediness, but to pro-actively promote well-being. In this type of response resources are redistributed on the principle of equality, since all citizens are seen as having a right to a common standard of well-being. Here, the typical instrument in social security is the universal benefit.

Within the field of social security there are three ideal-typical connections between needs perceptions, redistributive principles and design of instruments. The principle of need is central to social assistance programmes. These are commonly tax funded, under control of the central government or local authorities, and aimed at poverty relief. The needs principle is most directly manifested in the fact that social assistance schemes provide benefits up to subsistence level only and that eligibility depends on a means test. However, the design of the latter can vary from a very strict definition (all resources and capital taken into account; no or negligible amounts of other income disregarded; high marginal tax rates; etc.) to a more lenient one (e.g. only income taken into account; a considerable amount of resources disregarded, a low marginal tax rate). Means tests can be limited to the claimant, or extended to his or her spouse or partner, other family or household members, and even to relatives not living in the same household.

At the other end of the spectrum in terms of the scope of conditionality are benefit programmes which embrace the principle of universalism. Universal benefits tend to provide standard flat-rate benefits, often at a moderate level in order to provide basic security. However, varied rates are applicable at times (e.g. for dependants) and rates can be more generous. Indeed, they could be defined in terms of the fact that eligibility is unconditional in the sense that it is not subject to a test of needs (and means), and that contributions are not required prior to receiving support. The scope of universal benefits can vary, with some benefits pertaining to the entire population above a certain age (e.g. universal pension), others to certain groups (e.g. some disability benefits) or sections of a group (universal benefit for first child only). Benefits tend to be tax funded and to be the responsibility of the State.

The principle of reciprocity is most prevalent in social insurance programmes. Typical characteristics compared to other income maintenance schemes include risks which are generally associated with the labour market, eligibility and risk-pooling (no differentiation of individual contribution rates in relation to risk and compulsory membership), public regulation or involvement (at least to some extent), entitlement (based on contribution records) and funding (contributory rather than taxation) (Erskine and Clasen, 1997). Employers' and employees' unions are often involved in policy-making and/or administration, and most of the funding stems from contributions by employers and employees.

In comparative social policy, this threefold typology is rather common, although the general principles are often described in different terms, such as the principle of selectivity (need), the principles of reciprocity, contribution, propor-

tionality, equivalence or social insurance (equity), and the principle of universality (equality). Different distinctions between types of social rights, based on poverty (relief), reciprocity and citizenship, are also common. At the level of welfare regimes, the principle of need has been regarded as the dominant influence on policy direction in liberal welfare states, the principle of equity as prevalent in conservative welfare states, and the principle of equality is most manifest in social-democratic welfare states (Esping-Andersen, 1990).

However, these are ideal-type correspondences between justice principles and characteristics of social security schemes. In practice, the design of actual social insurance programmes can reveal significant deviations, or combinations. Social insurance programmes, for instance, may be heavily supplemented with tax subsidies; membership can be voluntary (as in unemployment insurance in Sweden and Denmark); paid employment is rarely the exclusive route to eligibility (since certain groups may be granted access or are considered as co-insured, even though they do not contribute financially); and social insurance schemes may contain a means test (like the the Dutch old age pension). Furthermore, the existence of earnings-related or flat-rate contributory benefits is a crucial characteristic distinguishing what might be called Bismarckian from Beveridgean notions of reciprocity. Because of the correspondence between wage-related contributions and wage-related benefits, Bismarckian schemes are closer to the logic of private insurance. Beveridgean schemes pay uniform benefits irrespective of contributions, although that may be supplemented with additions for dependants. In combination with other design features (e.g. the ease of access) this can make them similar to universal schemes in the sense of providing basic security (often at subsistence level) rather than status preservation. In other words, the reference to a general justice principle is often insufficient without acknowledgement of the parameters which determine the actual character of particular social security programmes. Table 1, below, summarises the major correspondences as discussed above.

Table 1: *Ideal-typical correspondences between needs definitions, justice principles and social rights, regimes and social security schemes*

Needs definition	Below minimum standard	loss of achieved standard	below standard of general well-being
General principles of (re-) distributive justice	Need	Equity	equality
Alternative terms for principles in social policy	selectivity	reciprocity contributory proportionality equivalence insurance principle	universalism unconditionality
Types of social rights	poverty based	reciprocity based	citizenship based
Welfare regime	liberal	Conservative	social-democratic
Social security tradition	social assistance	social insurance	categorical benefits universal benefits
General aim of social security	reduction of poverty	preservation of status	promotion of general well-being
Ideal-typical characteristics	funded state responsibility minimum benefits means test	contribution funded involvement of social partners benefits either flat-rate (Beveridgean) or earnings-related (Bismarckian) risk and contribution test	tax funded state responsibility benefits (near) flat-rate risk and citizenship test

2.2 How to measure change

One problem with measuring shifts in the relative scope of distributive principles is that these can be the result of two processes: legal changes in benefit conditions (e.g. the introduction or tighter application of a means test), or changes in the context within which social security operates, be these of a social (e.g. more lone parents), economic (increase in unemployment) or demographic nature (cohort effects). Depending on their direction, these influences can enhance or diminish each other's impact. For example, the growth in the number of unemployed people in receipt of needs-based social assistance might be the combined result of an increase in long-term unemployment and 'reform spillover', i.e. the consequence of a more narrowly defined entitlement to unemployment insurance.

Analytically there are two types of variables indicating shifts in the relative scope of social security principles. First, changes in the eligibility and entitlement criteria of particular programmes can be identified and monitored over a certain period of time. This 'legal' perspective has the advantage of documenting intended

policy change. It is also relatively easy to access relevant data. A second type of indicator measures changes from a 'volume' perspective. One can take either the number or proportion of claimants in receipt of a particular benefit (for example, fewer recipients of unemployment insurance and a rising proportion of claimants in receipt of unemployment assistance signifies a decline in the scope of the reciprocity principle and the increased prominence of the needs principle) and/or the proportion of expenditure on particular programmes. In contrast to the 'legal' indicator, these quantitative indicators provide a clearer indication of changes in the actual 'outcome scope' of a particular principle, but it is not always possible to attribute such changes to policy making and policy intent, i.e. to a principle's 'input scope'. In this explorative study we concentrate on the legal perspective and, where available, make use of information which allows comments from a volume perspective in terms of expenditure and claimant numbers.

Different terms may be appropriate for different perspectives. From a legal perspective, terms such as 'strengthening', 'sharpening' or 'tightening' can refer to the same process within social insurance programmes. From a volume perspective the terms 'expansion' and 'contraction' may be preferable. For example, requiring a longer work record in order to qualify for a reciprocity-based benefit tightens (strengthens, sharpens) Bismarckian principles of reciprocity. A shorter work record (or the recognition of activities other than paid work) would weaken Bismarckian and strengthen Beveridgean principles within the same scheme. The latter process could lead to more people becoming eligible for or actually receiving a contribution-based benefit, i.e. expanding the scope of Beveridgean principles. However, depending on other changes in the socio-economic context, the same policy may not affect the situation or may even be accompanied by a contraction in the scope of this principle.

3. WHAT TO EXPECT?

From the perspective of the three fundamental principles underlying social security benefits, this section will discuss why the relative scope of need, reciprocity or universalism has changed in the countries covered in this paper. As in other countries, they have witnessed considerable degrees of change in economic, demographic, social and political contexts within which social security systems operate. Directly and indirectly these changes have shaped the scope of income maintenance programmes in terms of the number of claimants and changes in the conditions attached to them.

3.1 *Need*

A trend towards an increasingly important role for the needs principle, indicated by a more extensive scope of means-testing, in legal and volume terms, has been documented in a range of studies (Van Oorschot and Schell 1991, Gough 1994, European Commission 1995, George and Taylor-Gooby 1996, Bolderson and Mabbett 1996, Ploug and Kvist 1996, Daly 1997). This advancement, and its possible further expansion, can be linked to a number of economic and political factors.

The extension of means testing may have been the result of ‘spillover’. High and persistent levels of unemployment, plus the curtailment of non-means-tested schemes, fuelled the number of those who have had to resort to social assistance. But the growth of social assistance in some countries is also a result of the lack of services and alternative benefits available for groups who have become more numerous as a result of social changes (e.g. lone parents). On the other hand, sociological theory would predict that, under conditions of budgetary restraint, cost-cutting efforts would be more readily directed towards schemes (such as means-tested social assistance) which are less popular and benefit relatively few and non-organised groups. The role of middle class taxpayers and cultural arguments, which are often more concealed, could come in here as well. Central to this would be the moral distinction which is made between ‘the deserving’ and ‘the undeserving’, which is strongly influenced by perceptions of the degree to which needy people are seen as being responsible for the situation they are in – and therefore undeserving (Will 1993; van Oorschot 2000a). If this perception is becoming more prominent, social support will tend to become more selective and less generous. The apparently increasing significance of the notion of self-reliance and individual responsibility among European citizens (Kluegel *et al.* 1995; Halman and Nevitte 1996) would provide a favourable cultural context for a trend towards more selective targeting.

A more targeted and selective approach within social security has long been advocated by neo-liberal politics which had a major influence in the 1980s and early 1990s. But Christian-Democrats have also regularly expressed concerns about the negative effects of individualisation and the decline of citizenship, which are both seen as a consequence of a generous system of welfare provision. More recently, the position of European Social-Democratic parties, which tended to emphasise solidaristic and collective forms of social security, has shifted towards a more ‘pragmatic’ or ‘third way’ approach. To differing degrees, in all six countries reviewed here, Social Democrats in the 1990s have come to accept the need to curb social expenditure, promote individual responsibility and emphasise labour market integration rather than protect social wages. Increasing living standards and adverse demographic changes are often used as a justification for reducing the scope of large-scale universal or contributory programmes and promoting occupational or private forms of income security for most people, reserving residual public means-tested resources for those without the means to opt for market cover.

The above are just a few of the arguments which point to the growing scope of the needs principle. On the other hand, there are also reasons why means testing might not become more prevalent. First, recent positive labour market developments in a number of European countries might lead to a decline in the number of people who have to resort to needs-oriented schemes. Second, since social assistance depicts (often implicit) national poverty lines, and given that tackling poverty and social exclusion has recently gained political prominence (e.g. in the UK), political efforts might be expected which aim to reduce the scope of needs-based social security. Third, the means test is a blunt instrument and is often incapable of tackling two policy aims at the same time, potentially not meeting either. While apparently reduc-

ing costs due to a targeting of resources, means tests can create unemployment traps by making a transition from welfare to work financially unattractive, particularly for people in low-paid jobs and for households with no earners. Means-tested benefits can hence be more costly than universal benefits which encourage rather than discourage labour mobility and might thus be more compatible with flexible and atypical forms of work in modern labour markets (see also Lister, 1997).

3.2 Universalism

Universal transfers can have a wide scope (e.g. basic state pensions), or be confined to a particular group (children), but are otherwise non-discriminatory. This makes them vulnerable to cut-backs for a number of reasons. Firstly, at times of tight fiscal budget familiar criticisms levelled at universal benefits, such as inefficiencies in terms of reducing poverty or inequality, and as transferring resources to those who do not need them, usually become stronger. And as Pierson (1994) argues, due to their relative generosity and wide coverage they offer more room for substantial cut-backs than means-tested programmes. Vulnerability will increase if other (public, occupational or private) arrangements have expanded over time and have made universal support superfluous for an increasingly large section of the population. Second, whereas contributory benefits are explicitly based on reciprocity, universal rights are linked to group membership. According to Marshall (1949), the connection between rights and duties towards a community (or state) is predicated upon a notion of community spirit and 'loyalty to society'. As Ganssmann (1993) argues, this represents a much more tenuous link than the one which is inherent in the quasi-contractual relationship between contributions and benefits within in social insurance schemes. With reference to Weber, the latter imply a higher level of 'formal rationality' and are thus more compatible with modern capitalism (*ibid*: p. 393). In modern, complex and pluralistic societies therefore, citizenship-based transfers are likely to become more precarious in the long run. The wide coverage of universal benefits may not only imply a relatively weak sense of community identity, but also a weaker, i.e. more fragmented, interest base, compared with the social partners' involvement in contributory wage-replacement transfers.

On the other hand, there are arguments why universalist principles might not be prone to erosion. Their societal interest base seems to depend strongly on the degree to which the middle classes actually benefit from them and are willing to use their 'sharp elbows', and on the degree to which programmes are defended by entrenched bureaucratic interests (Goodin and LeGrand, 1987). Empirical studies often find that universal programmes have stronger legitimacy than more targeted programmes in well-developed welfare states (e.g. van Oorschot, 2000b; Rothstein, 2000, 2001). Thus, universal services, such as education and health, and state pensions tend to be the most popular areas of social policy. Within social security, those universal benefits which serve broader populations, cover more widespread risks and provide higher benefits may therefore prove less prone to attrition than universal benefits which cover risks with a low relative probability, and provide low benefits. This point can be related back to Ganssmann's argument. Rather than the principle of uni-

versalism *per se*, it may be benefits which are both low and reserved for relatively small social groups which are vulnerable, because loyalty to the community tends to be the only motivation to support these schemes. If, however, many people profit from more generous transfers of a universal nature, calculated self-interest combined with loyalty can be a powerful motivator (van Oorschot, 2000b). If this was the case, institutionalist arguments and path dependency might be helpful in explaining the relative robustness of universal benefits. In 'encompassing' welfare states (Korpi and Palme, 1998) with relatively generous benefits, it might be more difficult to curtail universal elements. By contrast, in welfare states where the needs principle has a strong profile, cutbacks in universal benefits might be easier to implement because these are all but irrelevant for the broad population.

3.3 Reciprocity

Reciprocity is a central principle within social insurance programmes which were perhaps the most characteristic form of public income protection in the second part of the 20th century, at least in Europe. For this reason, it is particularly pertinent to ask whether this principle is doomed or can adapt and continue to thrive within the context of a more globalised and post-industrial economy.

There are a number of plausible arguments which point to a weakening of the reciprocity principle. First, at times of mass unemployment, high levels of early retirement and demographic ageing, the contributory funding mechanism of social insurance (payroll taxes) puts upward pressure on non-wage labour costs. Employers might respond by releasing more staff or hire flexible staff outside the social insurance net. Both responses reduce the revenue from contributions and increase the demand for benefits, potentially leading to increases in payroll taxes. This scenario applies particularly to countries with strongly earnings-related social insurance schemes and few institutional mechanisms which would allow to break this vicious cycle, e.g. Germany (Manow and Seils, 2000). Second, because of the close link between (standard) employment and benefit entitlement, social insurance schemes cover a decreasing part of the working population in modern societies, with both men and women working in increasingly flexible and atypical types of jobs (Clasen, 1997). Creating an insider-outsider scenario, the declining number of insiders would diminish vested interests in maintaining social insurance as the predominant form of social protection. Third, the Bismarckian type of social insurance in particular is based on the principles of equivalence and status maintenance. However, it also comprises solidaristic elements by redistributing from good to bad risks and from richer to poorer contributors or non-contributors. This in-built tension between principles of reciprocity and need is likely to become more precarious when the latter elements expand, potentially undermining the schemes' legitimacy in the eye of those who financially contribute most (Erskine and Clasen, 1997). However, these potential pressures on social insurance do not necessarily imply that the importance of the reciprocity principle is bound to decline. Ferge (2000), for example, argues that social insurance schemes are 'messy' contracts with a mix of principles which provide strong legitimacy.

Once a distinction is made between Bismarckian (strong) and Beveridgean (weak) principles of reciprocity, we may find the former to be more robust and resilient than the latter. Beveridgean basic security schemes rely on institutionally weak interest structures. In contrast, some social insurance programmes in continental European countries continue to be 'tightly coupled' with national macro-economic policy and other policy domains such as industrial relations (Hemerijck *et al.*, 2000). This, and the position of employees and employers as contributors to and (in some countries) administrators of social insurance, might act as a considerable line of defence against governments' plans for reconstruction and retrenchment (e.g. Bolderson and Mabbett 1996; Palier 1997; Timonen, 2000). However, depending on the wider context, it is not necessarily the case that employers and employees would both resist contracting social insurance schemes, and form a united front against governments.

4. CHANGING PRINCIPLES AND PRACTICES

The purpose of this section is to identify some of the major changes which have occurred in terms of shifting principles within social security in the six countries over the past two decades. Both the legal and the volume perspectives have been taken into account as far as possible. However, the analysis is still a preliminary one.

4.1 *The Netherlands*

In the Netherlands, the post-war hybrid social security system, consisting of Bismarckian workers' insurance, Beveridgean peoples' or national insurance, and social assistance, was restructured in response to the economic crisis of the 1980s, and modernisation processes such as individualisation and changing roles of men and women. In relation to Bismarckian, wage-related unemployment, sickness and disability insurance, a number of measures were introduced, which included a reduction of the earnings replacement ratio from 80 per cent to 70 per cent in all three schemes (1987) and a limitation of the duration of earnings-related disability and unemployment benefits, on the basis of work record (unemployment: 1987) and age (disability: 1993). For those who do not qualify for wage-related benefits, or have exhausted them, (near) flat-rate benefits were introduced. In unemployment insurance, work-record requirements for entitlement were drastically sharpened in two steps (1987, 1995). In the government's battle against rising numbers of people claiming disability benefits, a series of measures were taken, including a replacement of full with partial disability benefits for partially disabled people (1987); a restriction of the concept of 'disability', that tightened access to the disability benefit scheme (1993); a re-examination of the disability-status of 400,000 disabled workers over 50 years of age according to the new concept, resulting in 28 per cent of them losing benefit (1993), and an introduction of risk-related contribution differentiation in the disability benefit contribution (1998). Finally, sickness insurance was fully privatised in two steps for all but a few exceptional groups of workers (e.g. pregnant women) (1994, 1997).

From a legal perspective, it is clear that the changes in unemployment insurance imply a stronger emphasis on the principle of reciprocity: tightened work-record criteria for wage-related benefits imply a closer relationship between what workers pay in and what they eventually get out. On the other hand, the introduction of a short-term, flat-rate benefit trajectory for people with short and/or discontinuous employment records involves the introduction of Beveridgean principles for this group. However, this has not been the prime goal of the reforms. This is best understood in terms of the attempt to preserve the protection of living standards for older and core workers while cutting back on unemployment benefit expenditure for younger and peripheral workers without introducing means-testing for this group. From a volume perspective the shift in the scope of principles is less clear. The reforms have certainly resulted in a contraction of the group of workers covered by the Bismarckian reciprocity principle. After the sharpening of work record requirements in 1995, only about 45 per cent of all workers now qualify for the wage-related benefit if they become unemployed. Another result was a spill-over to means-tested social assistance, due to the short duration of the flat-rate insurance benefit. But considering the total population of unemployed people, it is actually the scope of the needs principle that is contracting. While, in 1987, 82 per cent of all unemployed received means-tested social assistance, with 18 per cent on social insurance benefit, this changed to 63 per cent and 37 per cent respectively by 1993, and to 60 per cent and 40 per cent in 1998 (MINSZW, 2000). The economic upturn of the 1990s resulted in a decline of long-term unemployment, and thus in reduced dependency on assistance among the unemployed.

The revisions of the wage-related workers' insurance scheme for long-term disablement significantly curtailed benefit access, level and duration not only for partially disabled people, but more generally for all younger disabled workers. People less than 33 years of age are now only entitled to a 'flat-rate plus' benefit (which equals the level of the minimum wage plus a supplement consisting of a small, age-dependent portion of the difference between the previous wage and the minimum wage). People over 33 are entitled to the wage-related benefit, the duration of which depends on age. When this expires, disabled workers are entitled to the 'flat-rate plus' benefit. The introduction of age as a criterion for benefit level and duration was presented by the government explicitly as a (more easily measurable) proxy for contribution record. In this sense it represents a clear sharpening of the reciprocity principle. The contribution differentiation in 1998 tightened the reciprocity principle further. Since then firms and economic sectors that generate more disability claims have had to pay higher contributions.

However, from a volume perspective, it is not exactly clear what is happening regarding the scope of principles covering the risk of long-term disablement. Due to the 'partialisation' of benefits for partially disabled workers, the tightening of the disability concept, and the re-assessment of those under 50 years of age there is certainly spill-over to unemployment insurance, and because of its limited duration, to needs-based social assistance. On the other hand, studies have shown that shortening the duration of wage-related benefit was 'restored', more or less completely, by collective agreements at sectoral and branch level, arguably for as many as 80 per

cent of all workers (Goudswaard *et al.*, 2000). This would imply an important restoration of the reciprocity principle, albeit on a lower collective level. However, the restorations excluded most peripheral and younger workers (Boos and van Oorschot 1998). One tentative conclusion is that the scope of the reciprocity principle has been retained for older and core workers, while the needs principle has become more important for other groups.

The privatisation of sickness benefit implies the abolition of public sickness insurance for most of the workforce apart from specified categories (estimated at 15 per cent of the previously covered population), such as pregnant women, (partially) disabled workers, people on temporary contracts and apprentices. With privatisation, the scope of the reciprocity principle in the social protection of sick employees has become more like private insurance, since most employers insure their legal obligation for sick pay with private insurance companies. The average amount of sick pay has not decreased by very much – employers have to pay at least 70 per cent of the wage but, in most cases, collective labour agreements top this up to 100 per cent (as was common practice under the benefit scheme). There is little spill-over to social assistance, since vulnerable groups are still covered by the old collective insurance fund.

The Dutch Beveridgean national insurances schemes, including old age and survivors pensions and child benefits, were reformed with a view to making them *consistent with changing role patterns of men and women and changing patterns of household formation*. This modernisation resulted in equal rights for men and women in old age and survivors' pensions (previously married women had no individual entitlement to old age pension and widowers were not entitled to survivors' pension), and in equal treatment of married and unmarried couples. This modernisation of schemes, i.e. a broadening of the entitled population, was in conflict with the general aim of cutting back on social expenditures. The solution was that means tests were introduced to keep total expenditure under control.

In the case of the survivors' pension, the means test is applied to the survivors' income (for those born after 1950), implying that the once Beveridgean insurance scheme has become a needs-based social assistance scheme for a specific category of people. It is expected that in 2015, when the cohort of those born before 1950 will have reached the age of 65, there will only be about 15,000 people entitled to the scheme, while at present there are some 175,000 claimants. The social protection of Dutch widows and widowers shows a clear shift towards the principle of need, but also to reciprocity for those who take an additional private insurance. In the case of the old age pension, the means test only takes account of the income of a partner under 65. Here the volume effect is much smaller compared to the survivors pension, but it signals a break with the principle of social insurance in the Dutch national old age pension.

Non-means-tested Dutch child allowances, which used to be financed by employers' contributions, became truly universal in 1989, when the funding base became general revenue. This was a practical, not a principled measure, since it compensated employers for the abolition of a series of investment subsidies and tax deductions. Dutch child allowances have been repeatedly adjusted during the last

twenty years in various other ways. The overall trend has been a reduction of the population of children for whom allowances are paid and a reduction of benefit levels, both aimed at decreasing expenditure. As a result, the scope of social protection, particularly for larger families, has diminished quite substantially. In this sense, the principle of universalism has contracted.

In sum, the notion of equality has been strengthened in Dutch peoples' insurance, mainly as a result of introducing equal treatment of men and women and of married and unmarried couples. At the same time the principle of need prompted through the introduction of means testing. This fundamentally transformed the character of Dutch survivors' protection from a national insurance scheme to categorical social assistance. The social protection of survivors as a whole now relies more on self-provision, private insurance and social assistance. The volume effects of introducing a means test in Dutch old age pensions were less severe. In Dutch workers' insurance (unemployment and long-term disability insurance), the reciprocity principle has been emphasised more strongly, in the sense that stronger links have been created between contribution record (work record, age) and benefit level and duration. At the same time, basic Beveridgean-type benefits were introduced for those workers with non-existent or insufficient contribution records. In other words, the reciprocity principle, and thus the objective of preserving living standards, has been maintained for older and core workers, but at the cost of lesser protection for younger and peripheral workers. There has been spill-over from insurance schemes to social assistance but, due to the economic upturn of the 1990s, the scope of the needs principle regarding the protection of unemployed people has actually diminished. Sickness benefit has been privatised for most of the Dutch workforce. Clearly then, there is no uni-directional trend in Dutch principle shifts. The Dutch social security system as a whole has retained its hybrid character, located somewhere between the Nordic social-democratic type and the continental corporatist type (e.g. Goodin *et al.*, 1999).

4.2 Germany

In Germany, loss of income due to major risks (or contingencies) such as unemployment, sickness, work accidents and old age has traditionally been covered by compulsory social insurance programmes. Between the 1950s and 1970s, the link between contributions and benefits (reciprocity) became more pronounced in (West) Germany, and this has been a major factor in facilitating broad political compromises and a relatively stable policy path since the 1950s (Offe, 1991). However, since the mid-1990s, the debate about the viability and desirability of maintaining a social security system which is strongly based on the reciprocity principle and funded by payroll taxes has become more confrontational (Leisering, 1996). This has to be seen in the context of German unification and subsequent economic recessions which have contributed to an increase in social insurance contributions from 34 per cent of gross wages in 1982 to 42 per cent in 1998.

The pension system is the most pronounced manifestation of the Bismarckian notion of reciprocity. Within a legal perspective, what has happened to it, and to the

expression of the principle in other programmes? In 1992, a pension reform introduced a gradual increase in the average pensionable age, a partial pension and a shift in the pension uprating method from increases in gross wages to increases in net wages, resulting in a slower growth in pension levels (Leisering, 1992). In the 1990s, pension levels were reduced for each year of retirement before pensionable age. Time spent in higher education became credited for a maximum of three rather than seven years, and students with earnings above a certain limit became obliged to pay pension insurance contributions. The latest pension reform, implemented in May 2001, limited the increase of pension contributions and will reduce the standard level of pensions over the next 30 years. Most importantly, it will phase in a supplementary, publicly regulated and subsidised, privately-funded pension element for future retirees. The changes affect the mix of principles within the German public pension scheme. Fixing the rate of contributions and the level of pensions can be regarded as safeguarding the dominance of the Bismarckian reciprocity principle. However, by subsidising the partial privatisation of pension rights, it extends the scope of the reciprocity principle beyond the public pension system, promoting an individualisation of risk.

As for unemployment insurance, changes in the 1980s included a lengthening of both qualifying and suspension periods, and cutting rates for claimants without children and those leaving vocational training. By contrast, entitlement rights for older claimants with longer contribution records were extended (Clasen, 1994). In the 1990s, unemployment benefit rates were cut less severely for claimants with children and unemployment assistance became available only to claimants who had previously been in receipt of unemployment insurance. Potentially this implies a growing resort to social assistance and thus creates, from a volume perspective, greater significance for the needs principle.

These examples indicate that the Bismarckian notion of reciprocity became stronger (certainly in the 1980s), leaving the position of 'better contributors' and thus core workers largely intact and, in some cases, even improved. Social insurance became more 'achievement-oriented' (Daly, 1997: p. 144). Legal changes in the 1990s, such as the inclusion of so-called minor jobs (few hours a week, low monthly earnings) into the contributory net, a slight increase in the income ceiling for social insurance contributions, and the restoration of sickness benefit rates can be regarded as other reforms aimed at consolidating the predominance of Bismarckian principles within social security.

Viewed from a volume perspective, how far are these legal shifts in the reciprocity principle recognisable? The scope of social insurance depends to a large extent on the level of employment which is subject to social security contributions and gives rise to benefit entitlements. After a decline in the number of jobs covered by social insurance in the first half of the 1990s, the number started to rise again after 1996 and in the old *Länder* reached higher levels than at any time in the old West Germany (Statistisches Bundesamt, 2001). By contrast, in the new *Länder* the number of people in employment and covered by social insurance continued to decline. In short, the scope of social insurance has not diminished in the West although it has, to some extent, in the East.

As far as benefit entitlement is concerned, the percentage of people over retirement age and in receipt of a contributory pension has increased over the past twenty years. However, other groups (such as the unemployed, for example) have to resort more to needs-based support than was the case twenty years ago (see below). And yet, contributory benefits have also remained important for the unemployed. Entitlement rates for persons entering unemployment declined between the 1980s and the late 1990s (from about 68 per cent to 52 per cent), but for those who are unemployed have remained fairly stable. This is because people with longer spells of unemployment tend to be better protected than those with short spells (who are generally younger), and this has become more pronounced since the 1980s (Reissert, 2001). Unemployment assistance has become more important over time, which might be interpreted as a trend towards the needs principle. However, unemployment assistance is not entirely needs oriented since it incorporates reciprocity (wage-related benefits) and needs principles (eligibility is means-tested). In short, from a volume perspective Bismarckian reciprocity has been diminished in unemployment protection, but not to a great extent.

Beveridgean elements within social insurance have also gained in significance over the past twenty years, and have mainly benefited families and carers (see also Bleses and Seeleib-Kaiser, 1999). Most importantly, this has been the case in pension insurance, where credits for bringing up children were first introduced in 1986 and subsequently extended and increased in value. People caring for frail relatives have also been granted credits. In unemployment insurance (and assistance), the increasing gap between better benefits for those with dependent children compared with other claimants is another example. In addition, there is a plan (due to be implemented in 2003) which will entitle parents to unemployment benefit solely on the basis of having cared for a child for the first three years of its life. In a recent ruling, the German Constitutional Court concluded that equal contribution rates within long-term care insurance as disadvantaged parents. As a consequence, the Court instructed the government to rectify the situation by the end of 2004 (*Bundesverfassungsgericht*, 2001). Finally, parents have also gained due to significant upratings of the (largely) universal child benefit over the past ten years. The share of social expenditure devoted to families increased more than any other branch of social security, with the exception of pensions, in the second half of the 1990s.

The picture is mixed in relation to the needs principle. Apart from the introduction of long-term care insurance in the mid-1990s, there have been no substantial changes from a legal perspective. This had a volume effect by halving the number of claims for means-tested social assistance which were made because of the need to pay for care (*Bundesregierung*, 2001). The percentage of pensioners in receipt of social assistance has also declined over the past two decades. On the other hand, between the 1970s and the late 1990s, the total number of social assistance claimants increased fourfold to 3.7 per cent of the population (2.7 per cent in the new *Länder*). In other words, from a volume perspective, the needs principle has become more prominent, particularly for some groups, such as unemployed people, single parents, immigrants and asylum seekers.

In sum, both from a legal perspective and a volume perspective, the scope of social insurance in the German welfare state has remained wide. Some reforms have expanded it even further, while changes in employment have not eroded the coverage of contributory-based social protection, although the net has become looser in the new *Länder*. However, particularly within pension insurance, and to some extent also within unemployment insurance, there has been a shift from a strong Bismarckian expression of reciprocity in the 1980s towards one which gives more scope to Beveridgean principles. The recent pension reform is highly relevant since it will establish a more mixed system in terms of principles, consolidating a Bismarckian core within the public sector, and introducing an even stricter notion of reciprocity by complementing the scheme with a supplementary private element. At the same time, a needs-based floor has been introduced. In general, over the past two decades the needs principle has increased and become very important for some groups but its scope has diminished for others, such as pensioners and people in need of care.

4.3 United Kingdom

The UK introduced a form of wage-replacement benefit supplement to flat-rate contributory transfers (unemployment and sickness benefits, pensions) in the 1960s and 1970s, but this late embrace of this Bismarckian principle of reciprocity remained half-hearted, providing modest additions based on fairly restrictive eligibility conditions. When labour market conditions changed in the 1970s, the former rationale for proportional benefit rates, i.e. improving labour mobility, disappeared. This contributed to the neglect of benefit supplements in the 1970s and facilitated their eventual abolition, and to the substantial restriction of Bismarckian elements in the state earnings-related pension in the 1980s. In short, the Bismarckian version of the reciprocity principle which was already weak by the late 1970s has now all but disappeared in the British welfare state.

Today, the basic state pension is still the main component of the British National Insurance system. Eligibility is based on individual employment histories and thus on contributions, but its approach is Beveridgean due to the existence of credits which have been extended for a number of activities, such as training, registered unemployment, incapacity, people aged 60 or older who are in receipt of maternity pay, and caring for children or relatives. Thus, until the end of the 1970s, the scope of state pensions in terms of value and coverage grew. Although the level of the basic pension was relatively low, it was linked to changes in average earnings. This changed in 1981 when the first Thatcher administration linked pension increases to changes in prices. As a consequence, the relative value of the basic pension compared with average male earnings has steadily declined, from 23 per cent in 1981 to 15 per cent in 1993, and is expected to reach 10 per cent by 2010 (Evason, 1999: p. 122).

Rather than restoring the link with average earnings, the current Labour government introduced a means-tested top-up which guarantees pension levels for those with no other resources above general social assistance rates (but not by much). From April 2002 the government will also offer a second pension as a supplement-

tary second-tier pension for low earners who are not part of an occupational or private scheme. A third new element is regulated low-cost, private-funded pension schemes. In short, rather than reinvigorating the Beveridgean notion of reciprocity, the needs principle is likely to be consolidated or even expanded in the UK pension system (Rake *et al.*, 2000), while the relevance of income from private and occupational pensions is expected to grow.

Frequent benefit changes in the 1980s contributed to the continual decline of the proportion of claimants receiving contributory unemployment benefit (Atkinson and Micklewright, 1989). The introduction of the Jobseekers' Allowance (JSA) in 1996 replaced unemployment benefit with a single benefit which combines contributory and means-tested benefits in one scheme. It halved the entitlement period for contributory benefits to six months and reduced benefit rates for claimants under the age of 25. Income-based (i.e. means-tested) JSA can be claimed by those who do not meet the qualifying conditions for contributory JSA or have exhausted their entitlement to the latter. In the late 1990s, the Labour government reduced the level of Contributory Incapacity Benefit for people in receipt of an occupational or private pension. By the 1980s, eligibility to unemployment benefit for those out of work and in receipt of an occupational pension had already become more restrictive. Both reforms in effect introduced a means test for contributory benefits.

These benefit changes might give the impression that the Beveridgean reciprocity principle has all but disappeared within the British social security system. But this is not the case. Applying a volume perspective, close to half of total social expenditure was allocated to contribution-based transfers in 1999 (DSS, 1999). Hence, in terms of expenditure (for individual programmes and for social security as a whole), the manifestation of the reciprocity principle remains relatively strong. On the other hand, the share of contributory-based benefits used to be considerably higher – it was 70 per cent of total social security spending in the mid-1970s – and has been in decline for some time. By far the largest single item of contributory-based spending is pensions. For other claimant groups, and particularly for the unemployed, the decline of contribution-based support has been dramatic, as Table 2 shows. From another volume perspective, the proportion of registered unemployed people in receipt of contributory benefits dropped from over 50 per cent in the 1970s to about 15 per cent by the late 1990s (DWP, 2001).

Table 2: *Proportion of different client groups who are in receipt of contributory benefits, %*

	Elderly	Short-term sick	Long-term sick & disabled	Unemployed
1979/80	88	95	48	45
1984/85	83	90	46	25
1998/90	81	85	45	16
1994/95	78	44	39	9
2001/02	79	43	24	9

Source: DSS, 1999, Annex C

In the UK, as in Germany, the only significant universal transfers are child benefits. In the 1980s, British levels were frozen and hence declined in real terms. In the 1990s, rates were increased and previous levels restored. Recently the Labour government increased child benefit more than other benefits, but the value is still low by international standards, and much more emphasis is put on assisting parents into work rather than improving cash support for families with children.

Turning to the needs principle, the UK is often seen as a liberal welfare state. This may be questionable when looking across social policy arrangements as a whole, and health care in particular, but it is increasingly justified within a more narrow focus on social security. The declining role of contributory benefits has already been discussed. There is ample evidence that this trend has been accompanied by a growing emphasis on the needs principle. The reduced relative level of unemployment and other social security benefits in relation to average earnings implies that, for most claimants, access to (sometimes additional) means-tested benefits has become all but inevitable. Accordingly, the relative share of means-tested transfers rose from 17 per cent of all social security spending in the late 1970s to 33 per cent by the end of the 1990s (DSS, 1999). Recent changes in pension arrangements are likely to consolidate or even expand it (Rake *et al.*, 2000).

To summarise, the trend in the UK seems fairly clear. Benefit changes in the 1980s and 1990s have substantially undermined the strong Beveridgean reciprocity principle within social security and replaced it with a means-tested needs principle which is less comprehensive in scope. The state remains responsible for covering basic needs, but increasingly only for the needy, rather than for entire groups (pensioners, unemployed and sick people). Unlike some Scandinavian countries, the British embrace of Bismarckian principles had remained half-hearted and was ultimately aborted. In the mid-1990s, it became clear that the Labour government would not try to align British social security with income maintenance principles in continental Europe. While this might not be surprising, the gradual abandonment also of Beveridgean principles and their replacement with a needs principle for those who cannot provide for themselves through private or occupational schemes, marks the UK out within modern trends in European social security.

4.4 *The Nordic countries*

The three Nordic welfare states covered here introduced a number of benefit reforms in the 1990s (for detailed accounts see Kautto *et al.*, 1999, 2001; Timonen, 2001 and 2000; Eitheim and Kuhnle, 2000; Alestalo, 2000, Goul Andersen, 2000, Ploug, 2000). Overall, Bismarckian principles of reciprocity have been strengthened due to a tightening of the link between labour market participation (and earnings) and benefit entitlement in several benefit programmes. For sickness benefits, for example, Sweden introduced and Finland extended waiting days and tightened qualifying conditions in the 1990s (Eitheim and Kuhnle, 2000). In unemployment insurance, there has been relatively little change for people with stable work histories, except for the lowering of benefit rates in Sweden. In Denmark, benefit levels remained stable (for most claimants) and coverage remained wide, but the maximum

period of entitlement was considerably curtailed in the 1990s. In all three countries, work-orientation and therefore the reciprocity principle became more prominent during the 1990s, making it harder for non-core workers to qualify (Clasen *et al.*, 2001).

Even clearer trends towards strengthening Bismarckian elements can be observed within pension systems, particularly in Sweden and Finland. In the 1990s, both countries created systems which link pension entitlements more closely to contribution histories. The individual work record has become a more determining factor for the level of income Finnish and Swedish retirees will receive in future. The new ATP scheme in Sweden raised the benefit ceiling and made it adjustable in line with the growth in the economy. The calculation of pension levels will be based on lifetime earnings (rather than on the best 15 years) and pensions in both countries will become 'defined contribution' rather than 'defined benefit' schemes (for details, see Ståhlberg, 1997). Finally, social insurance systems in Sweden and Finland increasingly became driven by Bismarckian notions of reciprocity in terms of financing. Having abolished them in the 1970s, both countries reintroduced employee contributions as the third source of revenue (along with employer contributions and tax funding) in the early 1990s. In Finland employee contributions rose steadily during the 1990s.

A review of benefit reforms, expenditure and claimant trends appears to indicate that the scope of universalism continues to be much larger in Scandinavian social security than in the other welfare states under investigation here. However, the scope of universalism in some social security programmes has diminished within the past two decades. Examples include the basic sickness benefit scheme in Finland, which ceased to be universal in 1996. Since then groups without earnings (carers, students) have lost the right to claim benefits (Ploug, 1999: p. 99). Another example is unemployment support in Denmark. According to Goul-Andersen (2000: p. 75), the response to high unemployment in the 1980s and early 1990s moved 'further towards ultimate universalism' – anybody without paid employment was entitled to a quasi basic income in the sense that the formal duty to seek employment was 'practised liberally'. However, this trend came to a halt when unemployment started to decline in the 1990s (Goul Andersen, 2002).

Within Swedish and Finnish pension arrangements, the formerly universal citizenship-based basic pension became reserved for those with no, or very little, employment-related pension income. In a sense, the universal pension was replaced by a needs-oriented scheme, i.e. a tax-funded 'guaranteed' pension for those with no or only a very small entitlement to an earnings-related pension. The Danish pension system has also become less universal in character due to the introduction of a partial income test on the supplementary element of the basic pension. Denmark never followed Sweden in establishing a substantial earnings-related secondary public pension. However, based on collective agreements, so-called labour market pensions grew substantially in the 1970s and 1980s, supplementing the largely universal public pension system (Ploug, 2000). This expansion fostered a gradual process of introducing income testing into the public system. Recent reforms have expanded their scope and, according to Goul Andersen (2001: p. 134), this trend can be expected to

continue, potentially leading to a 'fuller means test covering different sources of pension income.' The consequence would be a lowering of the *de facto* minimum pension which, in turn, might increase demands from trade unions and their members to expand labour market pensions even further.

As for the needs principle, steeply rising and high unemployment levels, particularly in the first half of the 1990s, contributed to an increase in the population dependent on social assistance in Sweden (from 6 per cent to 8 per cent), and even more so in Finland (from 3.5 per cent to 12 per cent of the population) by the mid-1990s (Timonen, 2000). Depending on labour market developments, the strengthened emphasis on Bismarckian reciprocity within unemployment insurance may increase the scope of the needs principle further. For pensioners, however, the introduction of income or means-testing into public pension schemes will not necessarily lead to an increase in the scope of the needs principle. Instead, secondary public or occupational pension plans may grow to such an extent that a diminishing part of the population has to resort to the means-tested public basic pension.

In sum, this rather brief and stylised overview of developments in Nordic countries indicates that, compared with twenty or even ten years ago, the scope of universalism has diminished. This can be demonstrated with reference to pension arrangements. Moreover, Beveridgean elements have contracted while Bismarckian elements have expanded. This applies to pensions, but also to unemployment and sickness benefits.

5. CONCLUSIONS

The first section of this article was devoted to clarifying the three principles of redistributive justice which underpin social security schemes in modern welfare states: need, equity and equality. We showed how these principles correspond ideal-typically with normative perceptions of need, types of social rights, welfare regimes, approaches to social security and the characteristics of social security benefits. To detect trends in the application of these principles in European social security systems we identified two types of indicator, one embodied a legal perspective and the other a volume perspective. Because, on their own, neither indicator can be regarded as sufficiently comprehensive, we have attempted to apply both of them to developments in selected countries. We focused on 'liberal' UK, 'conservative' Germany and 'hybrid' Netherlands in more detail, and discussed the broad lines of development in 'social-democratic' Sweden, Denmark and Finland.

Based on the developments in the selected countries, we have provided some tentative overall assessments of the development of principles of re-distributive justice in European social security systems. First of all, using both indicators, we noted more diverse change than has been acknowledged by recent comparative welfare state literature which tends to emphasise inertia, particularly in continental European countries, or similar national trends. The scope of all principles has changed due to reforms. Some of the changes will have medium rather than short-term effects. However, from a volume perspective (coverage, expenditure, recipient

numbers), the impact of some legal changes has not, or not yet, been felt due to favourable labour market contexts in several of the countries.

This is particularly true for the needs principle. In the UK, the needs principle has significantly increased in importance, and can be expected to increase even further, covering people in work by means of tax credits (wage subsidies). In the other countries it has also made significant inroads, in particular from a legal perspective, and especially in pension schemes. However, in some countries (notably the Netherlands and Denmark), because of favourable economic conditions in the second half of the 1990s, there has been little change. The growth of alternative types of pension income may mitigate the effect of extending the needs principle in Nordic pension programmes. In Germany, the introduction of the new long-term care insurance scheme and the previously enacted pension reforms contributed to a decline in dependence on needs-based support for some groups, but not for others.

There has been little evidence of an expansion of universal schemes. Instead, instances where universal elements have diminished in scope or have been replaced with needs-based elements are more typical. However, there are a few exceptions. As discussed above, the higher level of universal child benefit in Germany is a case in point.

On a general level, it can be claimed that, with the exception of the UK, the scope of social insurance is not diminishing. However, such a claim needs qualification. First, an interesting shift in principles has occurred within social insurance schemes. From a legal perspective, Bismarckian reciprocity principles have been strengthened (e.g. in Dutch workers' insurance and Swedish and Finnish unemployment and pension schemes). From a volume perspective, a possible consequence could be the declining scope of the principle in terms of eligibility and/or coverage of claimants. However, Beveridgean elements have been introduced or expanded in some countries (flat-rate pensions in Dutch unemployment and disability insurance, German unemployment and pension insurance), but are diminishing or being replaced in the UK.

It appears to be the case that Bismarckian wage-related benefits with longer duration are increasingly reserved for older and core workers, particularly in the Netherlands, Germany and Finland, leaving social assistance or flat-rate benefits to younger and peripheral workers. This can be interpreted as a way of economising on Bismarckian schemes, without endangering the social protection of the core labour force too strongly (and thereby avoiding strong resistance from institutionalised labour). It enlarges the social divide in social protection, which has always existed in many forms of workers' insurance. The Scandinavian trend towards introducing elements of reciprocity in, or in addition to, universal schemes is another manifestation of a growing social divide in social protection based on (stricter) application of the insurance principle. In this trend, individual work records are becoming increasingly important for assessing eligibility and entitlements. In this way, the sharpening of the insurance principle is closely connected to wider activation trends.

All in all, the above trends indicate a convergence between formerly strong and formerly weak reciprocity-based programmes. As outlined above, German social

insurance has become slightly less Bismarckian and more Beveridgean. The reverse seems to be the case in Sweden and Finland. However, the UK and the Netherlands do not fit this picture. In the Netherlands, although there have been considerable shifts in the principles underlying some social security schemes, no general trend in one or other direction can be observed. Thus, Dutch social security continues to exhibit a strong mix of principles. By contrast, an erosion of the Beveridgean expression of social insurance, and its replacement with the needs principle, is observable in the UK. Disregarding some short-lived developments in the 1960s and 1970s, Britain has always been much more guided by the Beveridgean notion of social insurance than the other countries covered in this paper. Current developments seem to indicate that such a single track approach is more prone to attrition than one which relies on a mix of principles.

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