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## Three Worlds of Old-Age Decommodification? A Comparative Analysis of Old-Age Support and Inequality Using the Luxembourg Income Study

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# Luxembourg Income Study Working Paper Series

Working Paper No. 104

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Brian Gran

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*(scanned copy)*



**THREE WORLDS OF OLD-AGE DECOMMODIFICATION?**  
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**Using the Luxembourg Income Study\***

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**THREE WORLDS OF OLD-AGE DECOMMODIFICATION?**  
**A Comparative Analysis of Old-Age Support and Inequality**  
**Using the Luxembourg Income Study**

Gösta Esping-Andersen presupposes that the three political strategies he conceives in **The Three Worlds of Welfare Capitalism** (1990) furnish homogeneous old-age decommodification levels. He argues that a system decommodifies "when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market" (1990, pp. 21-22). Esping-Andersen (1990) neglects to examine whether his three political systems provide heterogeneous levels of decommodification to system members. Analyses of data from the Luxembourg Income Study tie Esping-Andersen's (1990) political economy typification to individual outcomes in terms of economic well-being and sources of income for elderly. They show that some of the three political systems allocate higher and some lower decommodification levels than Esping-Andersen's (1990) treatment suggests. Further, they show that some political systems generate inequality by providing higher levels of decommodification to some cultural groups than others.

## **THREE WORLDS OF OLD-AGE DECOMMODIFICATION?**

### **A Comparative Analysis of Old-Age Support and Inequality Using the Luxembourg Income Study<sup>1</sup>**

#### **INTRODUCTION**

In *The Three Worlds of Welfare Capitalism* Gösta Esping-Andersen (1990) assumes homogeneous levels of old-age decommodification are provided by each of the three political strategies he envisions. Esping-Andersen conceptualizes decommodification as occurring "when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market" (1990, pp. 21-22). He argues that different decommodification levels are associated with three types of political strategy: conservatism, liberalism, and social democracy (1990, pp. 26-27). Despite other welfare state scholar's encouragement (Quadagno 1987, p. 125), Esping-Andersen (1990) fails to account for the variation in levels of old-age decommodification his different systems provide to dominant and non-dominant cultural groups and the inequalities that result.

#### **HOMOGENEOUS ASSUMPTIONS AND DECOMMODIFICATION**

Esping-Andersen (1985; 1990; 1992) and many other power resources analysts (Baldwin 1990; Bjorn 1979; Castles 1982; Castles 1985; Castles and McKinlay 1979; Esping-Andersen and Korpi 1987; Gough 1979; Hicks, Swank, and Ambuhl 1989;

Kangas 1991; Kangas and Palme 1992; Kohl 1981; Korpi 1978; Korpi 1983; Korpi 1989; Myles 1984; Offe 1984; Pampel and Stryker 1990; Peters 1974; Ringen and Uusitalo 1992; Schmidt 1983; Shalev 1983; Stephens 1979; van Arnhem and Schotsman 1982; Van Kersbergen 1991; von Nordheim Nielsen 1991; Wilensky 1981; Wilensky, Luebbert, Hahn, and Jamieson 1985) assume homogeneity in outcomes of welfare state strategies because of their interest in labor movements in the industrialized capitalist countries (but see Palme 1990, pp. 41-71; Wilensky 1975, pp. 86-119). Power resources analysts view these labor movements as having the goal of eliminating class differences.

Since World War II, expanding those social rights important for full-time, breadwinning workers--mostly men--has been a prominent goal of male-dominated labor movements in the industrialized capitalist countries, paralleling the rise of social-democratic orientations in these movements (Orloff 1993, p. 323, citing Esping-Andersen 1990, pp. 108-110).

As a result of this focus on labor movements and their political power resources, power resources analysts do not consider other kinds of power relations besides class when they consider welfare state outcomes (Lenski 1966, p. 398; Quadagno 1987, p. 125).

Indeed, mainstream scholars simply assume that the welfare state is a mechanism for making society more egalitarian; they routinely refer to systems of social provision in Western capitalist democracies as "welfare states," taking at face value the claims of state elites about the character of social programs (Orloff 1993, p. 305).

Consequently, most power resources scholars have focused on expenditure data (Orloff 1993, p. 305) and ignored heterogeneity in outcomes and inequalities the political systems promote.

Stephens (1979), Esping-Andersen (1985; 1990), and Korpi (1989) argue that state provision "decreases the scope of markets and changes the basis of distribution in these areas from market power to political resources" (Orloff 1993, p. 310, citing Korpi 1989, p. 313). Orloff points out, however, that "the division of labor between markets and politics is based on relations of power" (Orloff 1993, p. 313). Although power resources analysts recognize that the division between states and markets is a political question, "[t]he power resources school assumes that civil and political rights are equally available to all citizens to use in mobilizing to secure greater social rights" (Orloff 1993, p. 308). Power resources analysts ignore cultural group "differences in access to civil and political

rights, including the legal rights of personhood" (Orloff 1993, p. 308).

Even when the state assumes a powerful distributive role, dominant cultural groups may control the distribution process so that it furthers, or at least does not harm, their interests (Lenski 1966; Slessarve 1988). The failure to recognize cultural group market and political power relations blinds power resources analysts to aspects of social policy regimes that affect cultural group relations (Orloff 1993, p. 314). Although power resources researchers do not assume that democratic politics enacted as state intervention can erode inequality (Orloff 1993, p. 310, citing Esping-Andersen 1990, p. 23; Esping-Andersen and Korpi 1987, p. 40), they fail to account for non-class power relations and outcomes. They assume that political systems decommodify equally. They ignore that higher decommodification levels may be made available for some, but to the disadvantage of others.

Dominant cultural groups will benefit unequally from market systems or hierarchy preservation systems. They use political strategies to establish welfare state systems in which they enjoy the most economically rewarding and least stigmatizing benefits of their system (Lenski 1966, p. 398). Minority cultural groups receive these superior benefits less frequently, and are forced to rely on the more



demeaning and less economically rewarding system provisions (Sandefur 1988, p. 224). Consequently, in culturally heterogeneous societies welfare state systems provide relatively lower levels of de commodification to minority cultural groups compared to dominant cultural group members. Esping-Andersen's (1990) assumption of homogeneity in old-age de commodification levels is inadequate for understanding the effects of state social provision on all elderly system members (Orloff 1993, p. 317).

#### **MINORITY CULTURAL GROUPS AND ESPING-ANDERSEN'S THREE WORLDS**

Esping-Andersen (1990, p. 49) argues that variation in strength, scope, and quality of social rights individual countries accord their residents accounts for differences in levels of de commodification. He asserts that advanced capitalist countries use either conservative, liberal, or social democratic political strategies to de commodify their elderly (Esping-Andersen 1990, pp. 38-47).

Esping-Andersen argues that a liberal regime conditions entitlements on apparent, oppressive need (1990, p. 48); a liberal system does not extend citizen rights to de commodification. Orloff (1993) modifies this description by noting that some liberal systems have established governmental transfer programs that relate benefits to labor market experiences. A hybrid of Esping-Andersen's (1990) and Orloff's (1993) typification results where the liberal

system provides both means-tested and labor market experience related benefits.

Liberal systems that use means-tested benefits and labor market experience related benefits encourage social dualism (Orloff 1993) that has cultural as well as class dimensions. Minority cultural groups have not participated consistently (Hirschmann 1988, p. 79) over lengthy periods in the labor market (Hirschmann 1988, p. 63, citing Smith 1986; Sandefur 1988, p. 224), which in turn results in lower labor market earnings. Consequently, they make up a disproportionate share of those without access to labor market related welfare benefits and are more dependent on the stigmatizing and less rewarding aspect of the liberal system, means-tested benefits (Orloff 1993, p. 317). Inequality in old-age pensions results because of the dual nature of the strategy used by the system.

A conservative system bases entitlements to old-age public pensions on paid labor market performance, having its roots in the insurance tradition. Rights to and amounts of entitlements are conditioned on a combination of duration of labor market attachment and contributions, to which a logic of actuarialism is applied (Esping-Andersen 1990, p. 48).

Thus,

The degree to which this kind of regime offers opportunities for decommodification depends largely on how much it relaxes the actuarial principle: how much a person will have to have worked or contributed to qualify, and how strict is the relationship between prior performance and benefits (Esping-Andersen 1990, p. 48).

Minority cultural groups in conservative systems typically suffer from higher levels of unemployment, enter the labor market with less formal education in their resident country's system and other qualifications, leading to lower earnings and shorter labor market experiences (Kasarda, Friedrichs, and Ehlers 1992, p. 272). Consequently, by design conservative systems generate old-age inequality because they provide lower levels of decommodification to individuals who have had less opportunities in the labor market, such as minority cultural group members.

Esping-Andersen classifies a social democratic system as basing eligibility on citizenship or long-term residency (Esping-Andersen 1990, p. 48). Social democratic systems include all citizens in common programs and reduce group differences through income distribution (Orloff 1993, p. 310). Minority cultural groups share in the level of decommodification the social democratic system provides.

Consequently, the opportunity for a high level of decommodification is more widespread, but depends on the level of benefits provided by the social democratic system (Esping-Andersen 1990, p. 48).

Esping-Andersen devised an index of decommodification in old-age pensions that, as he points out, measures the potential to decommodify (1990, p. 50).<sup>2</sup>

Table 1 about here

In his continuum of decommodification he finds (see Table 1) the liberal countries, for example Australia and the U.S., usually provide the least opportunities for elderly to decommodify; the conservative, continental European countries, such as (then) West Germany and France, tend to occupy the middle of the continuum, "prepared to extend a considerable modicum of rights outside the market, but nonetheless with a stronger accent on social control than is the case within social democracy" (Esping-Andersen 1990, p. 51); and the social democratic countries, such as Sweden and the Netherlands, consistently furnish the elderly greater opportunities for decommodification.<sup>3</sup> Esping-Andersen's (1990) typology assumes that each political strategy accords the same or similar decommodification level to all their elderly members. Whether political strategies that Esping-Andersen (1990) argues are liberal, conservative, or social democratic furnish the level of decommodification associated

with his typology to all elderly members and whether they further inequalities has not received much attention (but see Castles and Mitchell 1992).

#### **DATA FROM THE LUXEMBOURG INCOME STUDY AND RESEARCH APPROACH**

Comparative policy analysts have long recognized the inadequacy of aggregate expenditure data as a proxy for individual outcomes (Castles and Mitchell 1992, p. 5). The Luxembourg Income Study (LIS) makes available a series of household income surveys that it has made comparable and available for secondary analysis. By providing high-quality, reliable data bases for cross-national comparisons of economic well-being and income distribution (Kohl 1988, p. 4), LIS makes possible the determination of inadequacies of models used to explain welfare state outcomes. An inspection of LIS individual-level data will illuminate whether actual decommodification levels mirror the results associated with the political typologies Esping-Andersen (1990) ascribes to their countries.<sup>4</sup>

Examined in this paper are data from the mid-1980s for six countries that represent the regimes typified by Esping-Andersen (1990): Sweden and the Netherlands as social democratic systems, Germany and France as conservative regimes, and Australia and the U.S. as liberal systems. Data about cultural groups are not available for France, the Netherlands, or Sweden; consequently, analyses by cultural

group are not performed for these countries.<sup>5</sup> All data are weighted by persons.<sup>6</sup>

One way to determine whether political systems provide the same or similar decommodification levels is to examine "the 'range, or domain, of human needs that are satisfied by social policy' instead of the market" (Orloff 1993, p. 313, citing Esping-Andersen and Korpi 1987, p. 41).

#### **SOURCES AND LEVELS OF ECONOMIC WELL-BEING**

##### **Age 55 - 59: Country Comparisons**

Political systems in advanced capitalist countries typically use governmental transfers as a means to decommodify their elderly members (Esping-Andersen 1990, p. 49).<sup>7</sup> Based on Esping-Andersen's (1990) typification, we expect social democratic systems to provide a high number of governmental transfer income units, conservative regimes a moderate level, and liberal systems low levels of governmental transfers to their elderly members.<sup>8</sup> Looking at Table 2, the social democratic system of the Netherlands provides the most governmental transfer income units and the U.S. liberal system transfers the least to individuals age 55 to 59.

Table 2 about here

The other social democratic system examined, Sweden, is third highest provider of governmental transfer income units, but France, a conservative system is second. The

other conservative system examined, West Germany, furnishes fewer governmental transfer income units than the liberal system of Australia.<sup>9</sup> Esping-Andersen's (1990) description of the capacity to decommodify appears accurate for individuals in the 55 to 59 age group with the exception of the conservative West German case.

For individuals age 55 to 59, high levels of economic well-being are maintained primarily through earnings, although earnings contribute the lowest number of income units to net income in the three countries that provide the most governmental transfer income units. For all countries except the U.S. governmental transfers are the second largest contributor to net income. In the U.S. labor market surplus income is the second largest contributor to the net income of individuals age 55 to 59. Although labor market surplus income is the third largest component for all other countries examined, liberal Australian system members receive more labor market surplus income units than individuals in the U.S. system.<sup>10</sup> For all countries examined persons in the age group 55 to 59 experience net incomes near the national average, with individuals in the U.S. on average enjoying 109% of the national average. Whether all who live in each system enjoy these levels and sources of economic well-being is not ascertainable from these findings.

### Age 55 to 59: Cultural Group Comparisons

After accounting for various cultural groups,<sup>11</sup> the implication from Esping-Andersen's (1990) description of the decommodification potential that social democratic systems provide higher levels of governmental transfers is borne out by the LIS data. The social democratic system of the Netherlands provides the most governmental transfer income units, while conservative France provides the second highest level. Similarly, his typification that liberal systems provide the lowest level of decommodification of the three types is supported with U.S. Spanish receiving the fewest number of governmental transfer income units for the age group 55 to 59.<sup>12</sup>

As noted above, the West German conservative system provides a lower number of governmental transfer income units than the liberal Australian system, but greater than the U.S.. The West German system, however, provides Germans twice as many governmental transfer income units as non-Germans.<sup>13</sup> Non-Germans receive the same number of governmental transfer income units as U.S. Spanish, both receiving the smallest number of governmental transfer income units for all groups age 55 to 59.

Although the U.S. liberal system provides few governmental transfers to any cultural group, the Australian liberal system furnishes several more governmental transfer



income units to some cultural groups than others.<sup>14</sup> United Kingdom nativity group members receive only 14 governmental transfer income units, but Asian nativity group members receive 23, two income units lower than the social democratic system of Sweden provides. The West German and Australian systems promote inequality by furnishing different levels of governmental transfers to various cultural groups. By not considering the variation in the number of governmental transfer income units some systems furnish to their different cultural group members, Esping-Andersen (1990) ignores inequalities the systems generate.

Earnings are the largest contributor to net income for all cultural groups examined, suggesting that for the age group 55 to 59 none of the systems provide high levels of decommodification. Governmental transfers are the second largest net income component for all cultural groups, with the exception of the Australian nativity group members and U.S. Whites, the two dominant groups of the liberal systems examined, for whom labor market surplus income is second most important.

U.S. Whites receive more than three times and some Australian cultural groups more than six times as many labor market surplus income units than their fellow system members. As expected, the conservative and liberal systems promote dualism. Non-dominant U.S. Blacks receive as many

income units from stigmatizing means-tested income as governmental transfers, but one-fourth the number of labor market surplus income as Whites receive. Similarly, minority non-Germans receive three times as many income units from means-tested income and half the number of governmental transfer income units as Germans.

Heterogeneity exists in the level of net incomes the different cultural groups experience. U.S. Whites enjoy the highest net income while U.S. Blacks experience the lowest and U.S. Spanish the second lowest of all groups in the 55 to 59 age group. Although Germans enjoy net incomes a little above the national average, non-Germans experience only 86%. Similarly, while the lowest net income in Australia is close to the national average, two nativity groups enjoy over 110% of the national average net income. Non-dominant and dominant cultural groups in the U.S. liberal system and conservative German system experience disparities in net incomes of forty points in the U.S. and sixteen in West Germany.

### Age 60 to 64: Country Comparisons

Contrary to Esping-Andersen's (1990) prediction about systems' decommmodification potential, the conservative French system provides the highest number of governmental transfer income units to the 60 to 64 age group.

Table 3 about here

The other conservative system, West Germany, is fourth highest, but the two social democratic systems are second and third (see Table 3). Both the conservative and social democrat systems, however, furnish nearly twice as many governmental transfer income units as either of the liberal systems. Thus, although the conservative West German system provides fewer governmental transfers than the liberal Australian system to 55 to 59 age group members, it accords nearly twice as many to individuals age 60 to 64. That the liberal countries provide so few suggests Esping-Andersen's (1990) typification is correct: the liberal systems are not willing to intervene but instead provide low decommmodification levels and let the market run its course (Orloff 1993).

The French conservative system and social democratic systems of the Netherlands and Sweden on average provide more governmental transfer income units to individuals than the earnings individuals receive. In the other conservative system of West Germany, however, individuals derive most of

their net income from earnings, as do individuals in both of the liberal systems. Australians, however, receive fewer income units from earnings than West Germans and Swedes. Instead of governmental transfers playing a larger role, labor market surplus is the second largest contributor to net income for Australians. In all systems means-tested income is a small contributor to net income.

Individuals age 60 to 64 in each system on average possess net incomes near or above 80% of the net income. Individuals in the conservative West German system and the liberal U.S. system, both systems in which earnings is the largest contributor to net income, enjoy net incomes over 90% of the national average. It is not possible, however, to determine if individuals of various cultural groups maintain similar levels of economic well-being and share equally in the benefits accorded by their systems.

#### Age 60 to 64: Cultural Group Comparisons

Considering variation by cultural groups, France, Sweden, and the Netherlands on average provide the highest number of governmental transfer income units to individuals in the age group 60 to 64. Consistent with Esping-Andersen's (1990) typification that a conservative system transfers higher levels of decommodification than a liberal system, German cultural group members receive more governmental transfer income units than members of any

cultural group in the examined liberal systems. Some cultural groups in the liberal Australian system, however, receive more governmental transfer income units than non-Germans.

Members of the non-Italian continental European nativity groups receive the highest number of governmental transfer income units in Australia, twice as many as United Kingdom nativity group individuals. The other Australian cultural groups receive similar numbers of governmental transfer income units to U.S. cultural groups. Although all U.S. groups receive few governmental transfer income units, both non-dominant cultural groups receive less than dominant Whites. Accounting for heterogeneous outcomes shows not only that Esping-Andersen's (1990) typification of some systems is inaccurate for some cultural groups, but also that some of the systems promote inequality among cultural groups.

Governmental transfers are the most important element in net income for individuals age 60 to 64 in the social democratic systems of Sweden and the Netherlands, as well as the conservative system of France. For all other persons, including members of the other conservative system of West Germany, earnings contribute the most income units to net income. Governmental transfers are the second largest contributor for these individuals, with the exception of the

dominant cultural groups in the liberal systems and the United Kingdom group in Australia, for whom labor market surplus income is second most important. For members of the two non-dominant groups in conservative West Germany and liberal U.S., non-Germans and U.S. Blacks, means-tested income is the third largest source of income units (although U.S. Blacks receive the same number of means-tested income units as labor market surplus).

As expected, the liberal U.S. system promotes a divided system in which dominant Whites enjoy not only more labor market surplus income units but also more governmental transfer units than the two non-dominant U.S. cultural groups. Similarly, Germans enjoy nearly as many governmental transfer units as the social democratic system of the Netherlands. Non-Germans, as expected, receive only 56% of the number of governmental transfer income units as dominant Germans, but five times as many means-tested income units.

In Australia, contrary to expectations, the dominant group of Australians age 60 to 64 enjoy the lowest number of income units from governmental transfers of all cultural groups examined. Members of the Asian, Italian, and other continental European nativity groups enjoy 79% more governmental transfer income units than the dominant Australian nativity groups. The Australian nativity group,

however, does receive the most income units from labor market surplus of all cultural groups in Australia. Apparently Australian nativity group members do not benefit from the government transfer redistributive process as much as from labor market surplus. Individuals in all the Australian cultural groups, as well as the Netherlands, receive more labor market surplus income units than U.S. Black and Spanish cultural group members.

Variation exists among different cultural groups' economic well-being for the age group 60 to 64. Individuals in both of the social democratic systems enjoy net incomes of 84% or more of the national average. Similarly, individuals belonging to the French conservative system experience 85% of the national average and Germans enjoy 93% of their national average, the second highest. Non-Germans, however, maintain the second lowest, 64%. Similarly, U.S. Whites enjoy the highest net income, 102% of the national average, but U.S. Blacks experience the lowest of all groups examined for the 60 to 64 age group, 63%. All Australian cultural group members age 60 to 64 on average enjoy net incomes above 70% of the national average, although differences are present. The dominant cultural group, Australians, enjoy the second lowest net income of all Australian nativity groups. On the other hand, Asians, Italians, and other continental Europeans enjoy net incomes

of 87% of the national average.

#### Age 65 +: Country Comparisons

For the age group of 65 and older the conservative system of West Germany and the social democratic system of Sweden provide the highest number of governmental transfers to their members.

Table 4 about here

The liberal systems provide the lowest number of governmental transfer income units, although the Australian system transfers seven fewer than the U.S. (see Table 4). The other conservative system studied, France, furnishes the second highest number of governmental transfer income units and the social democratic Netherlands accords the third highest to elderly age 65 and older. As Esping-Andersen's (1990) typification suggests, on average the social democratic systems provide high numbers of governmental transfers to individuals age 65 and older, but the conservative systems transfer nearly as high or higher. The liberal systems, on the other hand, furnish less than 75% of the number of governmental transfer income units relative to the two other types of systems.

For all countries examined governmental transfers are the largest source of income units. Although lower relative to the 60 to 64 age group, earnings contribute fourteen or more income units on average to the net income of elderly in



both of the conservative systems. Labor market surplus income is the second largest contributor in both of the liberal and social democratic systems studied. In both of the liberal systems labor market surplus contributes on average 26% or more to net income. Revealing an approach that Esping-Andersen's (1990) typification does not consider, the same is true for the social democratic system of the Netherlands, where on average 27% of individuals' net income is from labor market surplus income. For Sweden, the other social democratic system examined, although labor market surplus is the second largest contributor, on average it is only 8% of individuals' net income.

Elderly in both of the conservative systems enjoy high levels of net income, 75% or more of the national average. Only in one of the social democratic systems, however, do elderly experience a high level of economic well-being. In the Netherlands elderly age 65 and older enjoy net incomes of 74% of the national average, but elderly in Sweden experience a moderate net income of 64%. Elderly in the liberal system of the U.S. on average enjoy the highest net income of all countries examined, 78% of the national average. Conversely, in the other liberal system, Australian elderly experience the lowest level of economic well-being examined for the age group 65 and older, as well as for the two other age groups examined.

### Age 65 +: Cultural Group Comparisons

As we expect from Esping-Andersen's (1990) model, on average a liberal system furnishes the least and a social democratic system the most governmental transfer income units to 65 and older age group members. Relative to other cultural groups and the systems in which they are members, the conservative West German system and social democratic Swedish system provide the highest number of governmental transfer income units. The liberal Australian system transfers the lowest number, 28 income units to the Australian nativity group. Although Esping-Andersen's (1990) model predicts moderate levels of decommodification are made available by conservative systems, West Germany provides as many governmental transfer income units as a social democratic system.

The West German system provides 39% fewer governmental transfer income units to non-Germans. Non-Germans receive fewer governmental transfer income units than individuals age 65 and over receive from the U.S. liberal system. U.S. Whites receive the highest number of governmental transfer income units of all cultural groups in both of the liberal systems. Contrary to Esping-Andersen's (1990) homogeneous treatment, U.S. Whites on average receive 22% more governmental transfer income units than U.S. Blacks and U.S. Spanish. Similarly, on average the Australian liberal

system provides Italian and other continental European nativity group members 17% more governmental transfer income units than other Australian nativity groups' members.

With one exception, the Asian nativity group in Australia, on average for individuals age 65 and older governmental transfers are the largest component of net income. Members of the Asian nativity group in Australia receive most of their net income from earnings. Earnings are the second most important component to the net incomes of conservative French and German elderly. Means-tested income units, however, contribute the same number as earnings for non-Germans age 65 and older. Elderly members of the dominant cultural groups in both of the liberal systems receive more income units from labor market surplus than from earnings, while other liberal systems cultural groups' members, except the United Kingdom nativity group elderly, on average rely more on earnings than labor market surplus income.

As expected all non-dominant cultural groups receive more income units from means-tested income than dominant groups. Non-Germans receive the largest number of income units from means-tested benefits, ten, while Germans on average gain only one. U.S. Spanish and Blacks receive 11% and 8% of their net income from means-tested benefits, but Whites receive only 1%. Surprisingly, on average

individuals over age 65 in the conservative French system receive 9% of their net income from means-tested benefits.

Variation exists in the net income the cultural groups enjoy. As predicted, dominant cultural group elderly in the conservative West German system and the liberal U.S. system enjoy 75% or more of the national average net incomes. Non-Germans age 65 and over, on the other hand, experience the lowest level of economic well-being of all cultural groups examined. Individuals over age 65 in the other conservative system, France, enjoy net incomes of 79% of the national average.

Performing analyses at the individual-level shows that Esping-Andersen's (1990) typification ignores the heterogeneity in levels of provisions the systems make and the inequalities they promote. Whether the systems provide the decommodification levels associated with Esping-Andersen's (1990) typification and to all cultural group members is not ascertainable from the above analyses.

#### **LEVELS OF DECOMMODIFICATION IN OLD AGE**

For a system to decommodify it must give two assurances. First, it must ensure that an individual enjoys the right to independence from paid labor market participation. Second, it must assure that the individual enjoys a socially acceptable level of economic well-being (Esping-Andersen 1990, pp. 21-22). To measure the level of

decommodification a system on average provides to an individual I measure the extent to which all her net income is from governmental transfers and the degree to which her income is below the national average net income. A system, using this scheme, decommodifies completely by providing the national average net income through governmental transfers.

Figure 1 about here

Examining Figure 1, for a system to decommodify fully an individual will receive 100% of the national average net income through governmental transfers, therefore scoring in the upper right hand corner (C). If an individual scores in the upper left hand corner (B) the system does not decommodify at all, but the individual maintains the national average net income. At the bottom right hand corner (D) a system provides all income but the individual enjoys 0% of the national average net income. Finally, in the lower left hand corner (A) the system neither provides governmental transfers nor does the individual enjoy any portion of the national average net income.

I use the Theorem of Pythagoras for determining the hypotenuse of the net income and governmental transfer income units axes to score decommodification levels. The hypotenuse is the side of the right triangle opposite the vertex of the right angle formed by the net income and governmental transfer income unit axes. The claim of the

theorem is that  $c^2 = a^2 + b^2$ , where  $c$  is the length of the triangle's hypotenuse and  $a$  and  $b$  are the lengths of its sides. In our case  $a$  is the difference between the national average net income and the net income an individual receives (i.e.  $100 - \text{net income}$ ). Similarly,  $b$  is the difference between 100% of net income derived from governmental transfers and actual governmental transfer income units an individual receives (i.e.,  $100 - \text{governmental transfer income units}$ ). Therefore, for a system to completely decommodify it would score 0:

$$c^2 = a^2 + b^2$$

$$a = 100 - 100 \quad b = 100 - 100$$

$$c^2 = (100 - 100)^2 + (100 - 100)^2$$

$$c = 0$$

If an individual is not at all decommodified she will score 141.42:

$$a = 100 - 0 \quad b = 100 - 0$$

$$c^2 = (100 - 0)^2 + (100 - 0)^2$$

$$c^2 = 20000$$

$$c = 141.42$$

As Esping-Andersen (1990) predicts, variation exists in the levels of decommodification the systems provide.<sup>15</sup> Looking at Table 5 and Figure 2, most of the countries examined accord relatively low levels of decommodification for the 55 to 59 age group.

Figure 2 about here

Table 5 about here

The social democratic system of the Netherlands furnishes the highest level of decommodification for this age group, but overall only a moderate level.<sup>16</sup> The conservative French system provides the second highest while the other conservative system, West Germany, furnishes the second lowest. The U.S. liberal system, as Esping-Andersen (1990) predicts, accords the lowest.

Considering cultural groups, however, Esping-Andersen's (1990) predictions are questionable for the age 55 to 59 age group. The two social democratic systems, the Netherlands and Sweden, and the conservative system of France, furnish moderate decommodification levels. Contrary to Esping-Andersen's (1990) description about the potential to decommodify, for the age group 55 to 59 the Australian liberal system accords moderate levels of decommodification to two minority nativity groups: Asians and non-Italian continental Europeans. The West German system provides low decommodification levels to both cultural groups, but non-Germans experience lower levels than U.S. Whites. As expected, members of non-dominant cultural groups of the liberal U.S. system receive the lowest level of decommodification of all cultural groups in the 55 to 59 age group.

For the age group 60 to 64, systems accord higher levels of decommmodification to nearly all groups relative to the 55 to 59 age group.

Figure 3 about here

Figure 3 and Table 5 show that while the conservative French system furnishes the highest level of decommmodification to individuals age 60 to 64, the other conservative system of West Germany provides third highest. The social democratic system of Sweden is the second highest provider and the Netherlands is fourth. While the conservative and social democratic systems furnish high decommmodification levels to the 60 to 64 age group, both of the liberal systems provide low decommmodification levels to their members. These analyses, however, do not indicate whether all cultural group members share in the same decommmodification levels provided by their systems.

The West German system on average provides a high level of decommmodification to individuals age 60 to 64, but furnishes a low level to non-Germans. Although Australian and United Kingdom nativity group members experience low decommmodification levels, Asians, Italians, and other continental European nativity group members enjoy moderate levels. On average the liberal U.S. system accords moderate levels of decommmodification to Whites, but to Black and Spanish individuals low levels. Esping-Andersen's (1990)



description about the potential to decommoify is misleading because it assumes homogeneous levels of decommoification. Failing to note the heterogeneous levels of decommoification the systems furnish, such as the difference between dominant and non-dominant cultural groups in West Germany and the U.S., ignores the different decommoification levels these systems provide.

All the systems provide higher decommoification levels to the age 65 and older group.

Figure 4 about here

Examining Table 5 and Figure 4, consistent with Esping-Andersen's (1990) description about decommoification capacity, both of the social democratic systems examined transfer high levels of decommoification to the 65 and older age group. The conservative systems furnish higher levels, however, in contrast to Esping-Andersen's (1990) typification that conservative systems provide moderate levels. While the conservative French system provides the highest level to the 60 to 64 age group, the conservative West German system furnishes the highest to the 65 and older group. Contrary to Esping-Andersen's (1990) description about the potential to decommoify, the U.S. system on average provides a moderate level of decommoification while the liberal Australian system furnishes a low level. Whether these systems provide the same level of

decommodification to all their members is not discernible from these findings.

The West German system provides to Germans age 65 and older the highest level of decommodification compared to all other systems, cultural groups, and age groups examined. As predicted, however, the West German system does not furnish this extraordinarily high decommodification level to all members: the West German system transfers only low decommodification levels to non-Germans. Contrary to Esping-Andersen's (1990) prediction, U.S. Whites and Spanish enjoy moderate levels of decommodification; the U.S. system provides low levels only to Blacks. Similarly, Australian and United Kingdom nativity group members over age 65 experience the lowest level of decommodification for the age group. Asian, Italian, and other continental European nativity group members enjoy moderate levels, higher decommodification levels than non-Germans in the conservative West German system.

The LIS data indicate not only that some systems provide higher and some lower decommodification levels than Esping-Andersen's (1990) model suggests, but that some systems do not provide the same level of decommodification to all their members. Individual-level analyses illustrate that some systems promote inequality in old age. The West German conservative system and U.S. liberal system use a

dual structure that permits dominant cultural group members to enjoy their system's more advantageous provisions while non-dominant cultural groups enjoy those provisions only to a lesser extent. Instead, non-dominant cultural group members rely more on their systems' less rewarding provisions. By ignoring the heterogeneity in decommodification levels some of the systems provide, Esping-Andersen (1990) fails to account for the inequalities the systems promote.

#### **CONCLUSION**

Esping-Andersen's (1990) conclusion that Sweden, the Netherlands, West Germany, France, Australia, and the U.S. have varying levels of decommodification is supported by LIS data. Yet, Esping-Andersen's typology does not provide heterogeneity in outcomes within individual countries, but rather leads to the expectation that all groups in each political system experience similar levels and kinds of decommodification.

The LIS individual-level data suggest that welfare state researchers should not assume homogeneous outcomes. Instead, power resources analysts and other welfare state scholars need to account for power relations besides class.

If scholars take this approach,

Attention would shift from dimensions tied to only one set of potentially unequal or oppressive relations to an examination of the combined effects of all programs on individuals in specific politically and socially significant groups (Orloff 1993, p. 320).

As the analyses of the LIS data indicate, welfare state scholars will provide a better understanding of variation in welfare state development and outcomes by considering other power relations besides class.

#### ENDNOTES

1. Under the sponsorship of the government of Luxembourg, the Luxembourg Income Study was begun in September 1983. The purpose of the project was to gather in one central location, the Center for Population, Poverty and Policy Studies (C.E.P.S.) in Walferdange, Luxembourg, sophisticated microdata sets that contain comprehensive measures of economic and economic well-being for a set of modern, industrialized welfare states. (For more information, see Rainwater, Smeeding, and Schmaus 1985).
2. Esping-Andersen suggests that welfare states "cluster into distinct groups" around the mean of his score of the potential for decommodification. He finds three clusters:

[T]he Anglo-Saxon 'new' nations are all concentrated at the bottom of our index; the Scandinavian countries at the top. In between these two extremes, we find the continental European countries, some of which (especially Belgium and the Netherlands) fall close to the Nordic cluster (1990, p. 51).
3. Esping-Andersen scores the Netherlands in the same cluster as Sweden and other Scandinavian countries on his decommodification of old-age pensions index and argues that

the Netherlands has social democratic "tendencies" (Esping-Andersen 1990, p. 53).

4. The data are from the following datasets:

Australia: The Income and Housing Survey, 1985-86.

LIS Sample Size: 7560

France: The French Income Survey of Taxes, 1984.

LIS Sample Size: 12693

The Netherlands: The Survey of Income and Program Users, 1987. LIS Sample Size: 6771

Sweden: The Swedish Income Distribution Survey, 1987.

LIS Sample Size: 9421

United States of America: The March Current Population Survey, 1986. LIS Sample Size: 11614

West Germany: The German Panel Survey: Wave 2, 1984.

LIS Sample Size: 5174

5. Among the examined countries, Sweden is the third most ethnically homogeneous. The following fractionalization index devised by Taylor and Hudson (1972, p. 216) is used:

$$F = 1 - \sum_{i=1}^n (n_i / N) (n_i - 1 / N - 1)$$

where  $n_i$  = the number of people in the ethnic group and  $N$  = the total number of people in the population.

The countries studied have the following

fractionalization scores in 1980, with 0 representing complete homogeneity and 1 complete heterogeneity:

Australia:	.70
France:	.33
The Netherlands:	.11
Sweden:	.19
U.S.A.:	.80
West Germany:	.12

(data used to compute fractionalization scores are from Barrett 1982). Although Sweden's diversity score is higher than West Germany's, ethnic fractionalization has a larger social impact in West Germany. Finns and Lapps make up most of Sweden's minority, and have posed qualitatively less difficulties for Sweden's majority than Yugoslavians, Turks, Spanish, Italians, and Greeks for West Germany (Université Laval, Centre International de Recherches sur le Bilinguisme 1974-1984). As a result, it is expected that the Swedish majority and most of the minority benefit relatively equally from the social democrat system, while the non-German minority does not enjoy the same benefits as the majority in the West German conservative system.

6. The analysis uses person as the unit of analysis instead of household because reports of household income hide latent inequalities and individuals'

sources of income (Meyer 1990, p. 551, citing U.S. Congress: Senate, p. 32, p. 29 et al.). Meyer notes, in reference to the U.S.:

In 1988 the median income for married older women --considered separately from their household's incomes --was just \$5488, only 43 percent of that received by married older men. With such relatively low incomes, many married women are at risk of impoverishment should their spouses die, divorce, or enter a nursing home (1990, p. 551).

The ending of marriages in old age increases the risk of low levels of economic well-being for all older citizens. As Meyer notes, however, the consequences for older women, after a lifetime of typically less labor market earnings and other economic disadvantages, can be devastating (Meyer 1990, p. 551, citing Older Women's League 1988). To reveal individuals' decommodification levels during old age the analyses performed in this paper use person as their unit.

7. In all countries examined net income plays the most important role in the elderly's level of economic well-being. Consequently, net disposable income represents level of economic well-being in each country.
8. Income units are used to make comparisons between countries. As an example, if an individual's net



income is 80% of the national average (indexed to 100), her net income is set to 80. If one-half of her income is from earnings, she receives 40 income units from earnings (50% of 80 is 40). The different components of her total net income sum to 80.

9. Net income components do not sum to total net income for some countries and cultural groups. The discrepancy results from the omission of some income components from analysis; for example, private transfers (such as alimony and child support) are not considered because they are typically small and are not relevant to this paper's analyses.
10. Labor market surplus income consists of private pensions, occupation related pensions (including governmental employees'), and cash property income.
11. For purposes of this paper's analyses, cultural groups are considered dominant in relation to whether they are believed to have greater power resources over their welfare state system relative to non-dominant cultural groups. Whites in the liberal U.S. system, members of the Australian nativity group in the liberal Australian system, and Germans in the conservative West German system are consequently treated as dominant cultural groups.

12. The LIS 1986 U.S. dataset provides data by the cultural groups of "White," "Black," and "Spanish." The author is not able to further define what groups fall under each cultural group heading.
13. The LIS 1984 West German dataset does not permit a breakdown by nationality group beyond Germans and non-Germans. This restriction is not a hindrance to testing Esping-Andersen's (1990) asserted association between the three systems and their expected decommodification levels.
14. For Australia, LIS makes available data about nativity. For example, if an individual is listed as having Italian nativity, she was born in Italy. Her children, if born in Australia, are considered Australian.
15. Net incomes above 100 (for example, individuals age 55 to 59 in the U.S.) are set to 100 since following this approach income above the national average is superfluous in terms of decommodification.
16. The scope of variation in decommodification levels the systems provide varies between 52.35 to 93.94, or 41.59 points. For purposes of analysis, I split the difference in decommodification scores into thirds ( $41.59/3 = 13.8633$ ) to score high, moderate, and low levels of decommodification. Consequently, countries

are treated as providing the following levels if they obtain the respective decommodification scores:

High: 52.35 to 66.21

Moderate: 66.22 to 80.08

Low: 80.09 to 93.94.

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**Table 1: ESPING-ANDERSEN'S (1990) THREE SYSTEMS AND THEIR  
POTENTIAL DECOMMODIFICATION LEVELS**

<b>Systems</b>	<b>Countries</b>	<b>Decommodification Levels</b>
<b>Social Democratic</b>	<b>The Netherlands, Sweden</b>	<b>High</b>
<b>Conservative</b>	<b>France, West Germany</b>	<b>Moderate</b>
<b>Liberal</b>	<b>Australia, U.S.</b>	<b>Low</b>

**Table 2: NET INCOME (100 = national average) AND ITS COMPONENTS FOR AGE 55 TO 59**

Country	Net Income	Gov't Transfers	Earnings	Labor Market Surplus Income	Means-tested Income
THE NETHERLANDS	101	30	60	7	4
FRANCE	99	29	62	6	2
SWEDEN	99	25	69	4	1
Australia-Asians	111	23	82	3	0
Australia-Other Europeans	112	21	76	15	0
Australia-Italy	102	19	67	14	0
AUSTRALIA	101	17	68	16	0
Australia-Australians	98	16	64	19	0
W. Germany-Germans	102	16	80	3	2
WEST GERMANY	101	16	79	3	2
Australia-United Kingdom	102	14	77	9	0
U.S. Blacks	74	10	50	4	10
U.S. Whites	114	9	86	16	2
U.S.	109	9	83	14	3
W. Germany-Non-Germans	86	8	69	2	6
U.S. Spanish	81	8	64	5	3

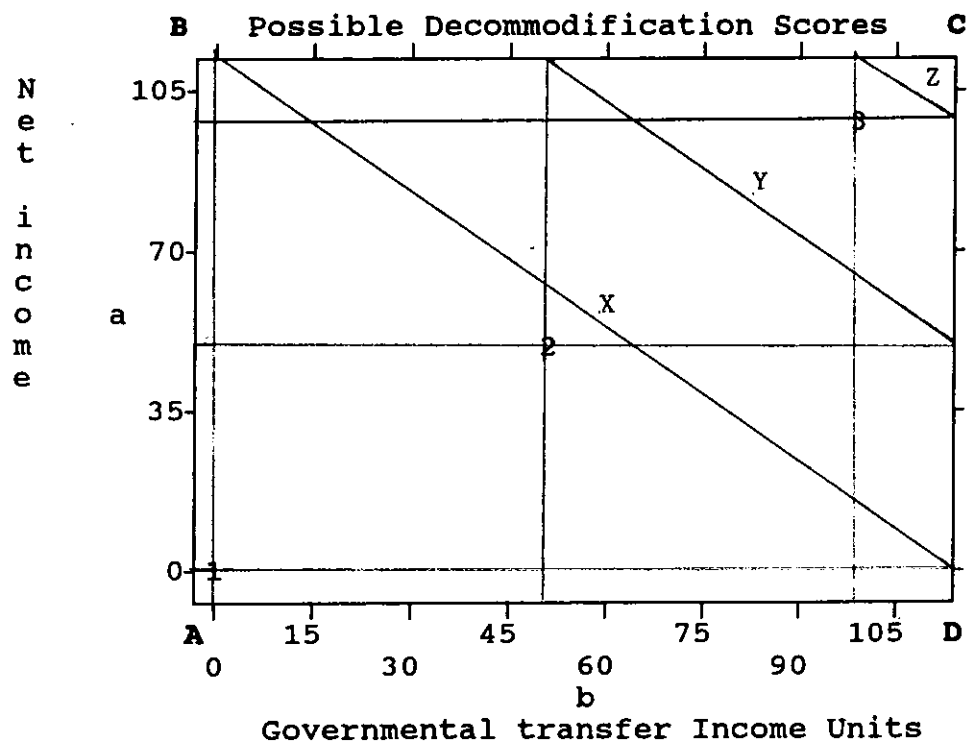
Table 3: NET INCOME (100 = national average) AND ITS COMPONENTS FOR AGE 60 TO 64					
Country	Net Income	Gov't Transfers	Earnings	Labor Market Surplus Income	Means-tested Income
FRANCE	85	46	31	6	2
SWEDEN	86	45	36	4	1
THE NETHERLANDS	84	42	23	16	3
W. Germany-Germans	93	41	47	4	1
WEST GERMANY	92	41	46	4	1
Australia-Other Europeans	87	32	41	12	0
Australia-Asians	89	27	51	11	0
Australia-Italy	93	25	47	16	0
W. Germany-Non-Germans	64	23	35	0	5
U.S. Whites	102	21	54	25	2
AUSTRALIA	78	21	33	23	0
Australia-Australians	77	20	30	27	0
U.S.	97	19	52	21	3
U.S. Blacks	63	15	32	8	8
Australia-United Kingdom	71	14	32	22	0
U.S. Spanish	73	12	46	8	5

Table 4: NET INCOME (100 = national average) AND ITS COMPONENTS FOR AGE 65 +					
Country	Net Income	Gov't Transfers	Earnings	Labor Market Surplus Income	Means-tested Income
WEST GERMANY	75	54	17	3	1
W. Germany-Germans	75	54	17	3	1
SWEDEN	64	54	3	5	2
FRANCE	79	52	14	6	7
THE NETHERLANDS	74	49	4	20	1
U.S. Whites	80	38	18	23	1
Australia-Italy	83	36	27	18	0
U.S.	78	36	19	21	2
Australia-Other Europeans	65	35	16	13	0
W. Germany-Non-Germans	54	33	10	1	10
U.S. Blacks	59	31	15	7	5
Australia-Asians	74	30	37	5	0
U.S. Spanish	71	30	28	5	8
AUSTRALIA	58	29	10	17	0
Australia-United Kingdom	55	29	6	15	0
Australia-Australians	56	28	9	19	0

Table 5: LEVELS OF DECOMMODIFICATION BY AGE GROUP (0 = High decommodification level)			
Country	55 - 59	60 - 64	65 +
W. Germany-Germans	84	59.41	52.35
WEST GERMANY	84	59.54	52.35
FRANCE	71.01	56.04	52.39
THE NETHERLANDS	70	60.17	57.25
SWEDEN	75.01	56.75	58.41
U.S. Whites	91	79	65.15
Australia-Italy	81	75.33	66.22
U.S.	91	81.06	67.68
Australia-Other Europeans	79	69.23	73.82
Australia-Asians	77	73.82	74.67
U.S. Spanish	93.94	92.05	75.77
U.S. Blacks	93.68	92.70	80.26
W. Germany-Non-Germans	93.06	85	81.72
AUSTRALIA	83	82.01	82.49
Australia-United Kingdom	86	90.76	84.06
Australia-Australians	84.02	83.24	84.38

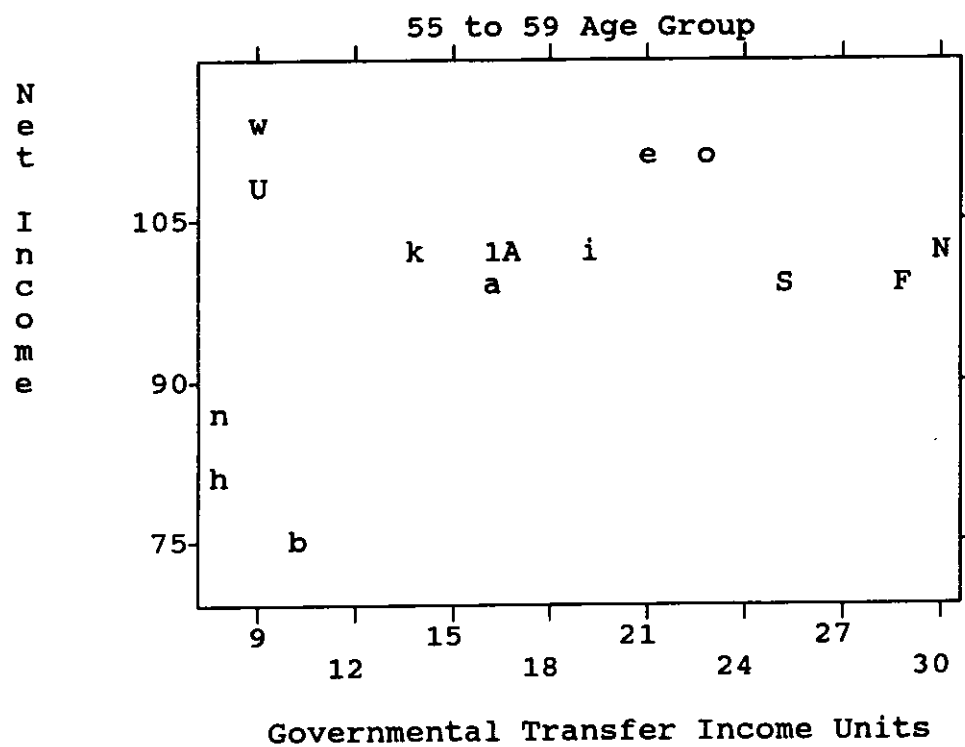


**Figure 1**



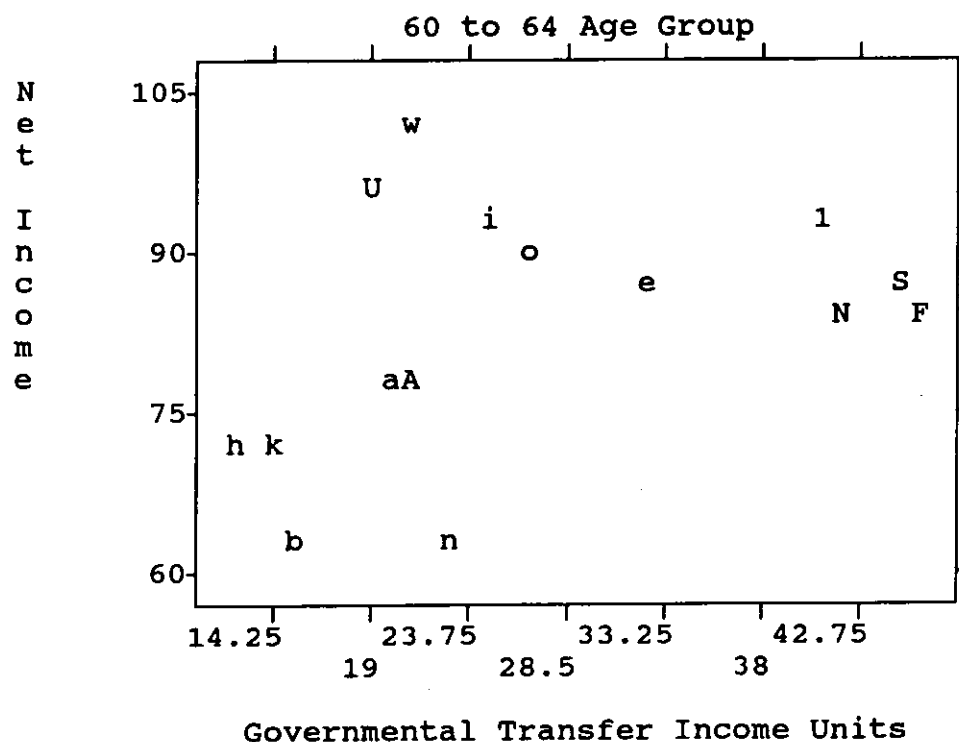
- 1: No decommodification; hypotenuse X
- 2: Net income of 50%, but derived completely from governmental transfer income units; hypotenuse Y
- 3: Complete decommodification; hypotenuse Z

FIGURE 2



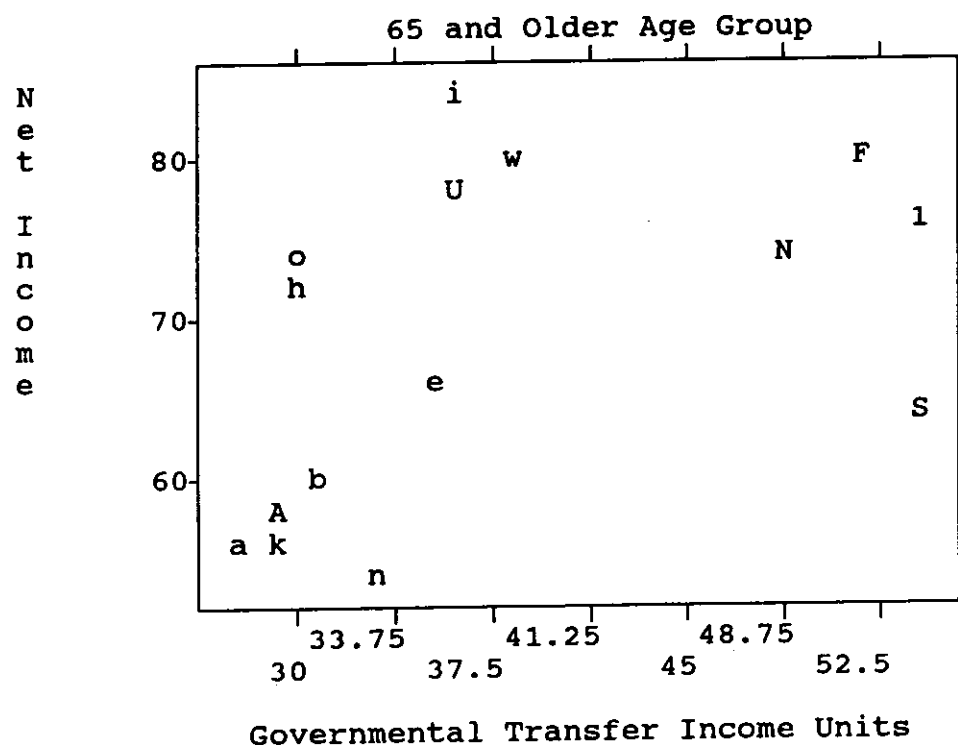
- A: Australia
- F: France
- N: The Netherlands
- S: Sweden
- U: U.S.
- a: Australian nativity group (Australia)
- b: U.S. Blacks
- e: Continental European nativity group (Australia)
- h: U.S. Spanish
- i: Italian nativity group (Australia)
- k: United Kingdom nativity group (Australia)
- n: Non-Germans (West Germany)
- o: Asian nativity group (Australia)
- w: U.S. Whites
- 1: West Germany and Germans (West Germany)

**FIGURE 3**



- A: Australia
- F: France
- N: The Netherlands
- S: Sweden
- U: U.S.
- a: Australian nativity group (Australia)
- b: U.S. Blacks
- e: Continental European nativity group (Australia)
- h: U.S. Spanish
- i: Italian nativity group (Australia)
- k: United Kingdom nativity group (Australia)
- n: Non-Germans (West Germany)
- o: Asian nativity group (Australia)
- w: U.S. Whites
- 1: West Germany and Germans (West Germany)

FIGURE 4



- A: Australia
- F: France
- N: The Netherlands
- S: Sweden
- U: U.S.
- a: Australian nativity group (Australia)
- b: U.S. Blacks
- e: Continental European nativity group (Australia)
- h: U.S. Spanish
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- n: Non-Germans (West Germany)
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- w: U.S. Whites
- 1: West Germany and Germans (West Germany)