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## Comparing welfare regime changes: Living standards and the unequal life chances of different birth cohorts

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# **Luxembourg Income Study Working Paper Series**

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## **Comparing Welfare Regime Changes: Living Standards and the Unequal Life Chances of Different Birth Cohorts**

**Louis Chauvel**

**October 2008**



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**Luxembourg Income Study (LIS), asbl**

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## **Comparing Welfare Regime Changes: Living Standards and the unequal life chances of different Birth Cohorts<sup>1</sup>**

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This paper focuses on inter- and intra-cohort inequalities of living standards in a comparative perspective, and underlines the diversity of national responses to the challenges of economic slow down, stronger economic competition and globalization and their implications on different age groups. Although the paper is based on incomes and on the size of budgets more than on life styles, the relation with consumption is more than implicit since the economic constraint is the major factor affecting consumption. Here, the aim is to connect the specificities of national Welfare regimes and the emergence in different countries of very specific patterns of cohort-based economic constraints, which are about to produce, *in fine*, specific social generations (Mannheim, 1928). I highlight the emergence of “scarring effects”; that is the irreversible consequences of (short term) social fluctuations in the context of socialization on the (long term) life chances of different birth cohorts. These scarring effects can affect specific birth cohorts in countries where the welfare regime provides the context for increasing polarization between middle-aged insiders and young outsiders, and is characterized by a lack of resilience to early career difficulties faced by cohorts of young adults.

In a previous paper on the “generational sustainability” of welfare regimes (Chauvel, 2006) in France and in the United States, I developed a comparison of the long-term consequences of welfare state reforms (see for example: Esping-Andersen *et al.*, 2002) on different birth cohorts. The scope was to

examine the concept of “social generation” as it relates to the analysis of the distribution of well-being, and to compare American and French welfare regime dynamics. The French case is marked by strong generational imbalances: in the context of economic fluctuations from the “*Trente glorieuses*” (1945-1975) to the “*Croissance ralentie*” (1975-today),<sup>2</sup> I have shown the existence in France of a generational rift (“*fracture générationnelle*”) between the generations born before 1955 (the early baby boom generations and the previous ones, who benefited most from the economic acceleration of the postwar period) and those born after 1955 (who are facing an economic slowdown, high youth unemployment, and the resulting social problems). Thus we find an “*insiderization*” of previous generations and an “*outsiderization*” of new ones. That “*fracture générationnelle*” is often denied by policymakers and in the public debate; however, the long-term implications of these generational dynamics could have major consequences for the stability of our welfare state. Furthermore, if we have noticed in France the emergence of strong intercohort inequalities at the expense of young adults, the American answer to the same stresses (economic slow down and increasing competition) has been different: if intercohort inequalities are less visible, an increase in intracohort inequality is obvious.

My aim here is to generalize these results and develop this framework to an international comparison based on the Esping-Andersen (1990) trilogy of welfare regimes, completed by the post-Ferrara (1996) controversy, since I include the fourth Mediterranean “familialistic” model. My argument is that in the intrinsic logics of different welfare regimes, the probable set of socioeconomic responses to contemporary common challenges or stresses (economic slow down, social distortions in the face of globalization, obsolescence of unqualified or industrially-qualified labor, etc.) could be significantly different. As a clue to these differences, we notice strong cohort specific “scarring effects” in France and in Italy, when they are unclear in Nordic countries and almost non-existent in

the Anglo-Saxon or liberal welfare regimes. We propose here a welfare regime based theory of international differences in inter and intra cohort inequalities (Mayer, 2005), since the different regimes could operate different trade offs between intra/inter cohort inequalities to find an answer to similar short term stresses. These differences could directly affect the balance between and within birth cohorts, which could be marked by significantly different forms of polarization of life chances, reflected by their capacity to be organized in sets of “social generations”. Finally, these different mixes of inequalities between and within birth cohorts affect durably the shape of social structures of stratification: in the welfare regimes where the cohort of young adults face an intercohort decline of their position, and an increase in their intracohort degree of inequality, emerges a risk of long term destabilization of their capacity to create or maintain a middle class-based social stratification, defined as an economically homogeneous system of social strata sharing similar intermediate standards of living.

### **Different responses of welfare regimes to economic stresses**

To analyze more precisely the probable responses of different welfare regimes to the challenges of postindustrial societies, I consider the standard typology of Welfare regimes (Esping-Andersen, 1999); we could focus on four types of regimes, respectively corporatist (or conservative), liberal, universalist (or social democrat) and familialistic:

- Since it is based on the recognition of long term and institutionalized social rights of members of protected social groups, the probable response of the **corporatist regime** (including France) to economic slow down, international competition and economic shortage of the Welfare regime as such (as a redistributive agency, as a ruler of the labor force, and as an employer), will be a more expensive protection of insiders (stable workforce with higher

seniority and high rates of trade-union memberships) at the expense of young adults leaving education, women and immigrants, who have less opportunities to defend their interests. Youth unemployment results from the scarcity of (decent) jobs in the labor market (because of the lack of competition with insiders), and the stronger internal competition of the young for obtaining less available positions generates a decline in relative or absolute wages, and specific renegotiations and retrenchments of social rights of the new social generations. If seniors are victims of early retirement, they benefit also from better protections of incomes and opportunities to access comfortable pensions schemes and/or acceptable conditions of pre-retirement (generally better than the usual unemployment schemes of younger adults). The social generations of seniors are more equal because they are the homogeneous cohorts of the “wage earner society” (Castel, 2003) of the Golden period of 1960s’-1980s’ (intracohort inequality falls for seniors), with better pensions schemes developed for all (seniors relative income increases); conversely, the new cohorts of adults face a stronger polarization between winners and losers (Brzinsky-Fay, 2007; Bell and *al.*, 2007). Another aspect we do not face here is the (declining) value of education; since a probable collective answer to the difficulties of the young is a massive increase in the (postsecondary) education of young cohorts (Van De Velde, 2008) but working in tandem with a lack of improvement in labour market entry a trend of strong educational inflation (decline in the nominal value of grades, particularly for the less selective ones) can be observed (Duru Bellat, 2006).

- The **liberal regime** (including the United-States) is characterized by another probable answer to the same challenges: because of the centrality of market in this regime, the response to economic shortage is Welfare State retrenchments, limitation of redistributions to worse-off populations, stronger market competition, denunciation of former social rights

considered as rent-economy devices and as distortions for market equilibrium. The logics therefore is a strengthening competition between juniors and seniors (who have less intangible rights), in order to renegotiate seniors' better positions previously obtained in the context of affluence. The consequence is smoother inter-cohort inequality (the new cohorts benefit relative to the seniors). However, strengthening competition means stronger intra-cohort inequalities. In terms of educational value, since there is a stronger linkage (by comparison to the corporatist regime of educational expansion) between the individual cost of education and the expected returns to education, the market regulation of educational expansion promotes a more stable social and economical value of grades, with no clear decline in their nominal or relative value.

- The **universalistic regime** (including Denmark) is defined by a collective scope for long term stability, progress and development for all, with a strong sense of collective responsibility. The quality of integration of newer cohorts is then considered as a priority, since a failure in the early socialization of young adults is clearly seen as a massive problem for future development of society. Strong rates of youth unemployment and economic devalorization of young adults could go with long term risks of anxiety, sentiment of self devaluation of the young, increasing suicide rates or decline in the fertility index. More generally, a better control of social risks over the complete life course is a central dimension of the Nordic Welfare state model. In terms of education, the global context of competition and massive pressure on lower and now intermediate levels of skills, the problem of old age and the necessity to maintain elders in the workforce in better conditions, all these constraints request a better distribution of qualifications on the life course and an effort of flexicurity shared by individuals and the collectivity. The consequence is a stronger control,

relatively to the two previous models, of both intra- and inter-cohort inequalities. The increase of the level of education for all could generate a slight process of overeducation, defined as an excess of level of education in the workforce relatively to the prestige of social positions or to the level of wages, but since it is shared by all age groups, its specific cohort dimension is not obvious.

- The **familialistic regime** (including Italy) shares many aspects of the corporatist one, but families are here a legitimate institution in the process of re-distribution of resources, both culturally and for the regulatory activities of the State. More precisely, in this regime, some sectors of the economy are strongly protected (mainly the core sectors of the public economy and of large companies such as banks, insurance, etc.) and most of the labor regulations there are based on seniority rights; in most middle and small size companies, the regulation is based notably on family interconnections, where both localism and long term fidelity of workers are fundamental institutions. In the context of post-affluent societies, and of scarcity of jobs, housing and other resources, parents of young adults are supposed to offer help and protection, and most families act in conformity with these social pressures. The consequence is a trend of increasing dependence of young adults till age 35 (or even over) in a context of declining levels of wages and standard of living for the cohorts of new entrants into the labor market. Consequently seniors exert a political pressure to obtain better pensions, in order to support their own children. The context of dependency generates stronger constraints for young families, increases the social pressures on women to choose between work and children, and is accompanied by a strong decline in the fertility rates, which creates a paradoxical context of “familialism without families”, and becomes a major problem in the long term sustainability of the pensions and Welfare regime (shorter and less affluent careers



of juniors, generational collapse of one children families, etc.). Conversely, the decline of incomes for young families is offset by the reduction of family size. In this regime, the national homogeneity may be weaker compared to other regimes since the inter-provincial imbalances (strong unemployment rates in some localities could go with a lack of appropriate workforce in others) are structural traits of a labor market where localism and strong ties are important aspects of social regulations, implying less geographic mobility. Thus, national heterogeneity is stronger than in other regimes. Another recent dimension is a strong development of mass tertiary education, which generates a strong trend towards overeducation: a multiplication of university graduates who can not find positions in the Mediterranean labor markets where middle and small size companies seek intermediate technical and managing clerks more than specialists or experts.

While the welfare regime logics and transformations are central issues, other factors could influence these results. These include:

- economic acceleration: even in the short term, a better economic situation could diminish pressure for welfare retrenchments;
- quality of the transition from school to work: close relations between the educational system and the labor market, organized internships, strong network of alumni, etc. limit the risk of “outsiderization” of young adults;
- shape of demography: a boom in fertility rates may generate 20 or 25 years later a phenomenon of “overcrowding” in the labor market (Easterlin, 1961; Easterlin and al., 1993).

The combinations of these factors are much more complex than expected. Because of the diversity of potential configurations, we should expect that the welfare regime explanation outlined here is only a part of the real history of each nation. While the welfare regime offers strong constraints, historical ascribed configurations (demography, level of development and opportunities for growth, etc.) and achievements of social policies (educational booms, structural reforms on the labor market, etc.) could also be important explanatory factors.

### **Definitions and tools of generational research**

The use of “generations” in European social science is more permissive than in the American academic context: for American sociologists, “generation” refers to the sociology of kinship and to family issues, while “cohort” (or “birth cohort”) refers to people born in the same year (Ryder, 1965). Therefore, in American academic journals, the expression “social generation” is quite uncommon (except in the discussions of Karl Mannheim’s theories). If some economists in the American tradition (Easterlin, 1966; Auerbach et al. 1994) write about “generations” and “generational accounting”, the birth cohorts they consider are also engaged in kinship relations of generational transmissions (gifts, education, legacy, etc.). The European tradition is different: here (Mentré, 1922; Mannheim, 1929) “social generation” is defined as specific groups of cohorts exposed to a common pattern of social change and/or sharing collective identity features such as ethnicity, gender, or class.

Historically, four definitions of “generation” exist (Mentré, 1922). The first one is less important to our argument: *genealogical generations* pertain to the sociology of family and kinship. The three others relate respectively to *demographic*, *social* and *historic* generations. A *demographic generation* is identical to a “birth cohort”: the group of individuals born in the same year. This is the most

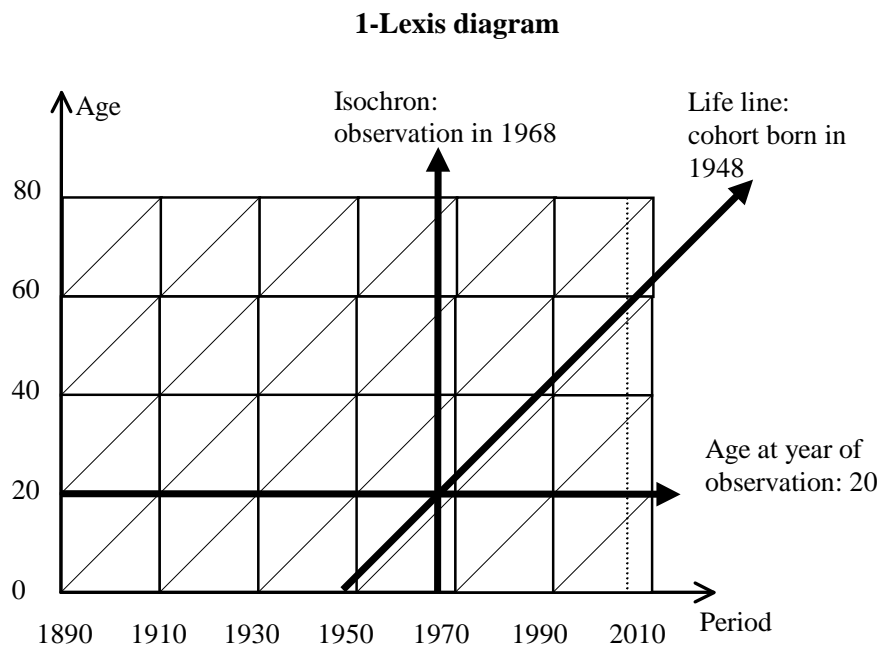
neutral clustering criterion that assumes no common trait. Conversely, the *historical generation* is a set of cohorts defined by a common culture, shared interests, consciousness of the generation's specificity and its historical role, and occasionally conflict with other generations. A historical generation may define itself by the time of its coming of age in history: a decisive example is the so-called "*génération 1968*", which refers to the first cohorts of the baby-boom (born between 1945 and 1950). The "*génération 1914*", the generation of young adults of the First World War, is another dramatic example. *Social generation* is then defined as a link between these two polar definitions. In the empirical social sciences, we first look at demographic generations, and then we define historical generations from the results of sociological analysis, assessment and interpretation of the diversity or homogeneity of cohorts, as well as their objective and subjective identities and consciousness.

First we must look at "socialization" in general, without delving into a systematic theorization. During youth, between the end of school and the stabilization of adulthood, there is a specific period of "transitional socialization", which is a pivotal point in the formation of individuals' choices for the future: in a short period, usually some months, the potentialities offered by family and education turn into concrete positions from which people will construct their life courses. That individual process has collective consequences when a cultural or historical polarization has a "socialization effect" on most individual members of the new generation (Mannheim, 1929).

For people at age 20, collective historical experiences such as May 1968 or July 1914 could form durable opportunities or scars, since they face a major transition in their lives within a dramatic social or historical context. Children cannot completely participate yet, and older people could be less affected, since they are already influenced by other experiences accumulated in other historical contexts (Ryder, 1965). This "transitional socialization" is not necessarily sufficient to create or

promote durable generational traits: they need a continuous process of collective recall to reinforce the social generation's identity that would progressively vanish otherwise (Becker, 2000).

**Figure 1**



Note: the Lexis diagram offers a synthetic view of the interactions of social times: when we cross periods, horizontally, and age, vertically, the time of cohorts appears on the diagonal ( $a = p - c$ ). In year  $p = 2005$ , people at age 58 are born in 1948; they were 20 in 1968. At each period, young and old age groups are also different birth cohorts for whom socialization occurred in different contexts: the 75-year-old age group of 2005 (born in 1930) is also the “welfare generation” that has had abundant access to public pensions and health systems, while the same age group in period 1968 was the remains of the “sacrificed generation” born in 1893 (21 years old in 1914).

A major problem in generational social change analysis is the intersection of three social times: age, period and cohort. The most common time is “period” and pertains to the succession of historical epochs; the second time relates to “age” and the aging process; the third one is the *time of generations*, which consists of the continuous process of replacement of elder cohorts by new ones. These three times are organized in a two-dimensional plane (see Figure 1) that implies a profound

indeterminacy. In any given period, different age groups coexist (defined by age thresholds, age statuses and roles), but they also represent different generations who have been socialized in different historical contexts. When we compare different age groups at a given date (period), we cannot know *a priori* whether their differences result from age or from generation: in year 2008, on the Lexis diagram, if the age group at age 60 (born in 1948) is at the top of income scale, we do not know whether it is an age effect (any cohort will enjoy better income at age 60) or a cohort effect (the 1948 cohort has faced the best career opportunities of the 20<sup>th</sup> century since its entry into the labor market). Age-period-cohort models have been developed to reveal generation effects, which can be discerned when specific traits appear in the “life line” of specific cohorts (Mason and *al.* 1973).

It is possible to mobilize Mannheim’s theory of early adulthood socialization, where the newer generation, which has just experienced its transitional socialization, is generally reacting strongly to new trends. In periods of sudden social change, the newer cohorts are the most influenced by the discontinuities of history because they are the first to experience the new contexts of socialization that previous cohorts could not anticipate and in which they do not participate (Mead, 1970). More precisely, during an economic acceleration, the young generation of adults generally do better than older ones because they can move easily to better positions; conversely, during an economic slowdown, the newcomers are generally more fragile because they have less room in the social structure, and no past accumulation of human or social capital, nor do they possess social rights to smooth the downward shock they face. We can expect such fluctuations in the distribution of well-being by cohorts, with a succession of “sacrificed” and “elect” generations emerging over time; and if the effect of socialization is strong and durable, each generation retains the consequences of its difficult or favorable entry. These fluctuations in the distribution of well-being before any redistribution could correspond to even stronger inequalities after redistribution, since the

generations marked by prosperity tend to accumulate larger contributive social rights than the generations marked by deprivation.

### **The multidimensional “*fracture générationnelle*” in France**

In France, the economic slowdown has provoked a dramatic multidimensional “*fracture générationnelle*” since the late 1970s (Chauvel, 2002: “preface”; 2003). This portrait is grim, but it is founded on strong empirical bases, and alternative sets of microdata offering convergent results. Three principal topics will be highlighted here: first, the economic marginalization of new entrants into the labor market and its direct effects on social structure; second, the long-term consequences of this deprivation in terms of socialization and life chances; and finally, the consequences for the political participation of these cohorts, and their support for the contemporary welfare regime.

#### *The economic decline of youth*

The first aspect of the dynamics of social generation in France is the change in the cohort distribution of economic means. A large redistribution of earnings and incomes occurred between the seventies and today. In 1977, the earnings gap between age groups 30-35 and 50-55 was 15%; the gap is now about 40%. During the “*Trente glorieuses*”, the young wage earners generally began in the labor market with the same level of income as their own parents at the end of a complete career. For the last twenty years, we have observed the stagnation of the wages of the young while wages for older people have grown by 20% or more. Here is a new difference between age groups, whose consequences are not completely understood by contemporary social sciences. But it is not simply a change on the relative position of age groups: members of the elder generation (now, those at age 55,

more or less) were relatively advantaged in their youth when compared to their seniors, and now, too, when these seniors are compared their young successors. The generational gaps result from double gains and double pains.

How could we explain this increasing gap? In fact, this is a consequence of a changing collective compromise, which occurred happened during the mid-1970s and early 1980s. This transition in the social value of generations brought from a relative valorization of newer generations, as a positive future we had to invest in, to a relative valorization of the protection of the adults' and seniors' stability, even at the expense of the young. The main factor in the redistribution of well-being concerned unemployment. High unemployment rates were socially acceptable for young workers, provided that adult employees with dependent children could avoid these difficulties. In 1974, the unemployment rate of those who left school 24 months before or less was about 4%; by 1985, those who left school recently had an unemployment rate of 35%, which remained the case through 1996; in 2002, at the end of the recent wave of economic recovery, it was close to 18 %. The unemployment rates of recent school leavers are strongly reactive to the economic situation whereas the middle-aged and senior rates remain more stable: an economic slowdown has serious consequences for younger adults, and recovery first benefits new entrants in the labor market. Evidently, the perverse consequence of that collective compromise for the protection of adults at the expense of newcomers is the lack of socialization of the new sacrificed generations: even if they are now adults, with dependent children of their own, their unemployment rates remain much higher, and their earnings abnormally low when compared to other age groups, because of a kind of "scarring effect". At the end of the eighties, the unemployment rate of the group at age 40 to 44 was still about 4% and is now over 8%. The age compromise for the protection of adults with dependent children is unclear now. This "scarring effect" is even clearer concerning earnings: the cohorts of new entrants

in the labor market in a time of downturn have to accept lower wages; conversely, for young workers, a strong economy allows them to negotiate better earnings. After this entry point, the earning gaps remains because of the lack of catch up effect on earnings (Chauvel, 2003, chap. 3): some generations are about 10 points above or below the long-term trend, because of the point at which they entered the workforce, and after age 30, the relative benefit or handicap remains stable.

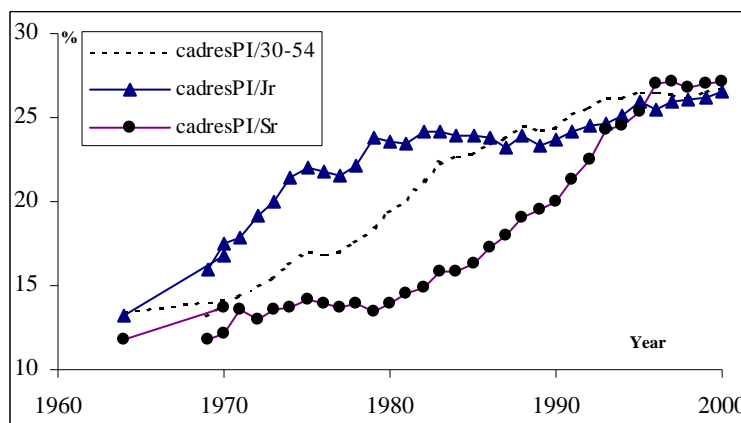
A complementary factor relates to the dynamics of occupational structure and the stratification system. In France as in the US (Mendras, 1988; Bell, 1973), the standard hypothesis of stratification change suggests that the long-term educational expansion of the twentieth century, and the emergence of a knowledge-based society, have stimulated the enlargement of the middle and upper middle classes; thus, the newer generation could have mechanically benefited from the expansion of the occupational groups of experts, managers or professionals (“*cadres et professions intellectuelles supérieures*”, in French<sup>3</sup>), to whom we often add middle management and lower professionals in the private and public sectors (such as school teachers and nurses), who exemplify the “new technical middle class”, whose social hegemony was predicted in the seventies (“*professions intermédiaires*” in the official French nomenclature of occupations).

At the aggregated level, the expansion of these middle and higher occupational groups in France seems to be a demonstration of that idea: for the aggregated age group between 30 and 54, the rise is from 14% in 1970 to 26% of the total population (Figure 2). However, when we make a distinction between age groups, the dynamics are much more complicated: at age 30, the percentage of those in middle and higher white collar occupational groups jumped from 14% to 23% from 1965 to 1975, and reached 24.5% in 1980. In the earlier period, the trend strongly accelerated for these “juniors”, but stalled after 1980: a 1.5-point increase in the two decades between 1980 and 2000, compared to a 9-point increase in the 1970s.



**Figure 2**

**“Cadres et professions intellectuelles supérieures” plus “Professions intermédiaires” in two age groups**



Source: Enquêtes *Emploi* 1969-2000 et *Formation-qualification-professionnelle* 1964 et 1977, INSEE; archives LASMAS-Quételet

Note: In 2000, 26% of “juniors” (=age group 30 to 34) are in the middle or higher occupational groups; the figure for seniors (=50 to 54) is 27%. The proportions were respectively 24.5% and 14% in 1980. The percentages are calculated using the total age group population.

In the middle of the “Trente glorieuses”, France experienced a dramatic expansion of the public sector and high-tech large companies (Airbus, France Télécom, civil nuclear electricity planning, health system, universities and research centers, etc.), creating strong demand for highly qualified employees with higher education. The first cohorts of the baby-boom (the 1945 cohort, which was 30 years old in 1975) were surely not a sacrificed generation since they enjoyed longer education in the context of a dynamic labor market, and did not face the diminishing returns to education that subsequent cohorts have faced. In 2000, 25 years later, the portion of 30-year-old in mid-level and higher white-collar occupational groups is quite similar and stable (26%), compared to 23% in 1975 and 24.5% in 1980. In this respect, the cohort born in 1970 knows no clear progress. However, during the 1990s, the expansion for “seniors” (that is, the “juniors” of the seventies) is obvious. Thus,

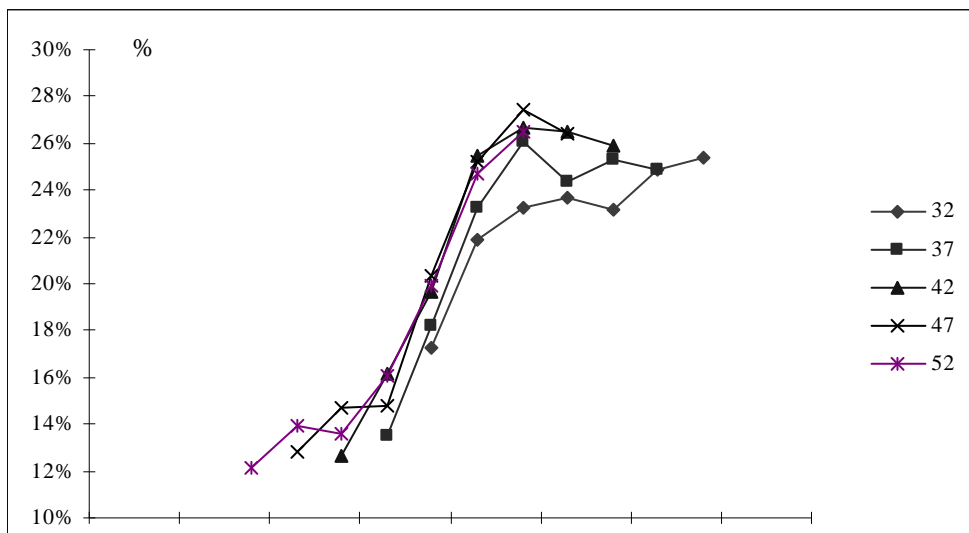
the expansion of mid-level and higher occupational groups' across generations is not linear. The apparent linear growth results from the inappropriate aggregation of a strong expansion — for the early baby-boomers — and of a strong slowdown for the succeeding generations.

*Scarring effect*

These evolutions would have had no significant social impact if, for the new generations, these early difficulties had no permanent effect. If the new entrants in the labor force in a period of scarcity could catch up from their early difficulties later in their lives, the problem would be anecdotal or residual. The assessment of the long-term impact of these early difficulties is central to the interpretation; if young, deprived generations do not catch up, a kind of long-term *hysteresis* effect appears that we can call a “scar” or “scarring effect”, since the handicap seems definitive. The age-period-cohort analysis shows that cohorts who experienced a difficult (favorable) entry because of a context of recession (expansion), continue to suffer (benefit) from a relative delay (advancement) in upward mobility when they are compared to the average situation. The relative position of a collective cohort at age 30 is rapidly crystallized, and there does not appear to be a substantial catch-up effect later on (Figure 3).

**Figure 3**

**Proportion of service class positions (*cadres et professions intermédiaires*) by age and cohort: cohort diagram**



Age

Cohort

Source: compilation Enquêtes FQP - Enquêtes Emploi (1964-2000).

Note: The cohort diagram is a strong instrument for the analysis of cohort effects. It compares the achievement at the same age of different cohorts. If the curves are linear, we have a stable progress by cohort. If we see cohort accelerations and decelerations affecting the same cohorts, we can analyze long-term cohort effects. The 1948 cohort benefits from an acceleration of its position at age 32 (23% compared to 17% for the 1938 cohort, and less than 12% for the 1933 cohort — as we can suppose). The 1958 cohort, which at age 32 stalls relative to the 1948 one, does not catch up by age 42. At age 32, the rate for the cohort 1968 was 2 points higher than that of the 1948 one, whereas the rate for the 1948 cohort was about 13 points higher compared to that of the 1928 cohort. Since the opportunity for growth is neither similar nor linear from one cohort to another, some benefit from better careers than others. Generational history is not linear.

How can we explain the lack of a generational catch-up dynamics? Those who had benefited from a period of entry marked by a strong demand for skilled jobs experienced faster career and earlier labor experience at higher levels of responsibility, with better wages; these individuals (and the cohort they constitute at an aggregated level) retain the long term benefits of the early opportunities they enjoyed, which will positively influence their future trajectory at any later age. For those who entered the labor market under difficult economic conditions, the periods of unemployment they faced, the necessity to accept less qualified jobs with lower wages, and the consecutive delays in career progression, imply negative *stimuli* for their own trajectories (decline in ambition, lack of valued work experiences) and could appear as a negative signal for future potential employers. The hypothesis we present here for France is that cohort-specific socialization contexts imply long-term opportunities and life chances for individuals and for their cohorts; when the difficulties disappear,

the cohorts who faced these problems continue to suffer from long-term consequences of past handicaps.

In more concrete terms, the cohorts born during the forties, who benefited from the economic acceleration of the late sixties, were relatively privileged compared to the previous cohorts when young, and are relatively advantaged when compared to the newer ones, because of the lack of progress for the young from 1975 to the present. We can generalize this observation: the cohorts who entered the labor force after 1975 and experienced an economic slump and mass unemployment, have been the early victims of the new generational dynamics, and they retain the long-term scars of their initial difficulties in the labor market.

An important point we cannot develop at length here is the consequences of educational expansion. If the level of education has increased in the cohorts born in 1950 to 1975, that positive trend was accompanied by a strong social devalorization of grades (Chauvel, 2000). More specifically, the first cohorts of the baby boom have benefited from an expansion of education at a time when the rewards to education remained stable: even if there were twice as many *Baccalauréat* recipients in the 1948 cohort than in the 1935 one, their likelihood of access to higher social or economic positions did not shrink. On the other hand, the generations that followed had to deal with a strong trend of devaluation in terms of the economic and social returns to education. The first consequence is a rush to the most valued and selective grades (in the “*Grandes écoles*” of the elite such as *Ecole Polytechnique*, *Ecole Nationale d’Administration*, *Sciences-Po Paris*, etc.) whose value remains stable, but whose population becomes more and more specific and may be discriminatory in terms of social origins. The second consequence is a strong devalorization of less prestigious universities, which are less exclusive but have much smaller per capita endowments in comparison to the *Grandes écoles*. In the same way, the best secondary schools become more selective, with major consequences

in terms of urban segregation. In the French case, the school system was traditionally the central institution of the Republic and at the heart of its idea of Progress, providing the strongest support for French-style social democracy and meritocracy. The collapse of the value of grades implies a destabilization of this myth and a pessimistic outlook on progress, developments that we can expect to have political consequences.

Now that we are nearing the end of this long-term slowdown, which began 25 years ago, we can compare two social and genealogical generations<sup>4</sup>. For the first time in a period of peace, the youth of the new generation are not better off than their parents at the same age. In fact, the “1968 generation”, born in 1948, are the children of those born in 1918 who were young adults in World War II, and who worked in difficult conditions at the beginning of the “Trente glorieuses”. The condition of the baby boomers was incomparably better than their parents’. But the following genealogical generation, born around 1978 — that is now between 25 and 30 years old — faces diminished opportunities of growth, not only because of an economic slump, but also because of their relatively poor outcomes in comparison to those of their own parents, who did very well.<sup>5</sup>We now observe rising rates of downward social mobility connected to the proliferation of middle class children who can not find social positions comparable to their parents’.

Consequently, France offers an ideal typical example of a failure of a corporatist regime, since it is unable to distribute its benefits to young adults, since it sacrifices the interests of large fractions of its population and since it is unable to organize its own transmission to newer generations. This case is very interesting, indeed, since we have with France a country presenting specific traits: France is defined by an homogeneous culture, notably by a political culture of refusal of market rules, is homogeneously governed by a centralized system of governance about to produce for long periods the same erroneous diagnoses and decisions on the totality of the territory, is based on a culture of

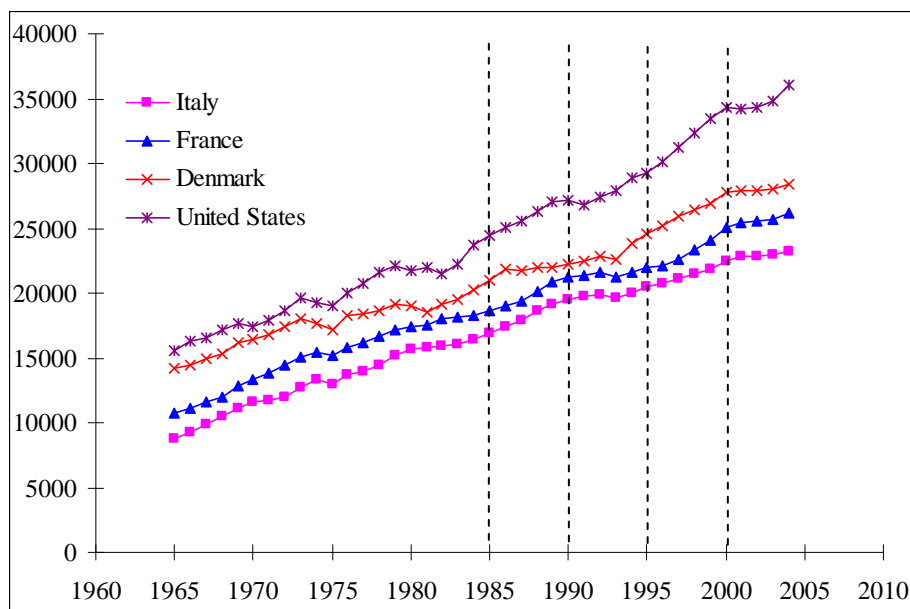
stop-and-go policies of alternate periods of excessive investments and of scarcity, about to create backlashes and counter-backlashes. France is also a country where the first years on the labor market are strategic for future life-chances of individuals: early successes or early failures become respectively positions of rent or conversely lifelong handicaps. France could be an exception about to experience exceptional intercohort inequalities. More decentralized countries (like the United-States or Italy) could blur these fractures; more responsible political regimes could avoid stop and go policies or accept more rapidly the diagnosis of previous mistakes, and act to balance them. Societies where life course is characterized by more instability or by less conservative processes than in France, could be more propitious to redistribution of opportunities between cohorts.

### **Is France an exception? An international comparison of cohorts**

A solution to test this idea of a possible French exceptionalism is to compare the dynamics of incomes on the life course in contrasted nations. Four countries will be considered here: France, Italy, Denmark and the United-States. This choice gives one country by typical welfare regime. The four countries are characterized by similar level of development and the trends are roughly parallel, even if the behavior of the American economy was somehow better during the 1990's (Figure 4).

**Figure 4**

**Annual per capita GDP of four countries (in PPP \$ Purchasing power parity dollars)**

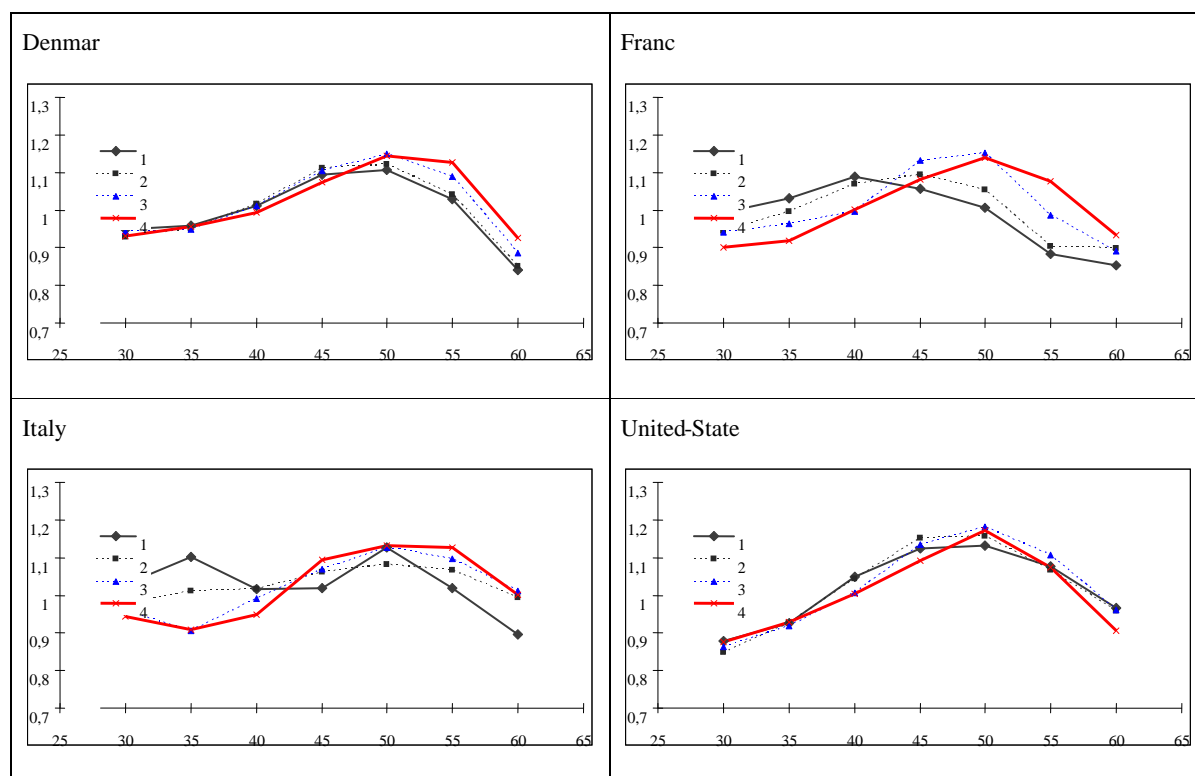


Source: Penn world tables 6.2 (Heston and al., 2006). Dot lines refer to the four periods of the analysis

The four selected countries pertain to samples of microdata available in the *Luxembourg Income Study Project* ([www.lisproject.org](http://www.lisproject.org)), but other typical countries could have been selected with consistent results. Since in this paper the major concern is about consumption, the focus will be on household level standards of living and not on personal earnings. The LIS project data offers the possibility to compute adjusted disposable income (total net income after taxes and transfers, adjusted by household size, where the equivalence scale is the square-root of the number of residents of the household) in order to compare the living standards of age groups at four different periods, respectively around 1985, 1990, 1995 and 2000.

**Figure 5**

**Relative adjusted disposable income (RADI) by age group for 3 periods**



Source: LISproject microdata, the author's calculation. Relative adjusted disposable income (RADI); Radi = 1 relates to the 30 to 64 year old average of the period; periods 1, 2, 3, 4 relates to LIS data around 1985, 1990, 1995, 2000. On the figure, age 30 pertain to the group aged 30 to 34. Population : individuals characterized by their household's radi.

The main results of the comparison of the Relative adjusted disposable income (RADI, Figure 5) are:

- in 2000, the shapes of the age distribution of the average RADI are similar with an ascending slope to age 55 and a declining standard of living after (decline of earnings or retirement).

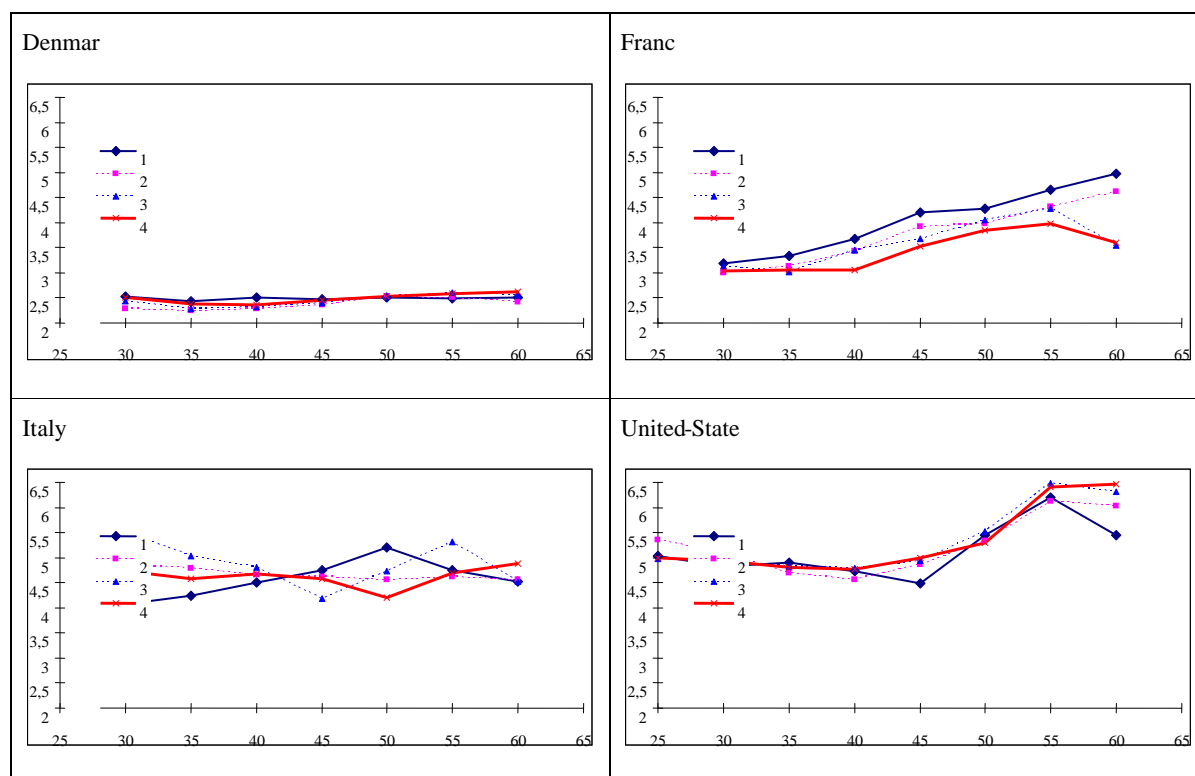


- from 1985 to 2000, except in the United States, we note a general increase of the senior's income, more modest in Denmark and very significant in France;
- France and Italy are characterized by a strong relative decline of the age group 35 to 39; the French dynamics pertain to a very clear cohort wave (there is a progressive shift of age at maximum income from age 40 to age 50);
- In Italy, the decline of RADI at age 30 is less significant, but note that at age 30 most Italians are not head of their own household, and most of them continue to nominally benefit from the affluence of their own seniors.

The main point is that France and Italy show profound redistributions of living standards to the profit of seniors and at the expense of younger mid-aged adults, when Denmark and the United-States face no massive transformations (the relative consequences of the slight improvement for Danish seniors is shared by all the other age groups). When both the Nordic and Liberal welfare regimes are about to smoothen intercohort inequalities, the corporatist and the familialistic regimes generate visible imbalances between age groups, the age groups relating to the part of the life course when young families appear are marked by profound transformations. In France, when the gap in 1985 between the 55 year old and the 35 year old age group was – 15%, the gap is + 16% in 2000, and we have a redistribution of 31 points; in Italy, the numbers are respectively – 8% and +22%, with a redistribution of 30 points. These implicit redistributions between age groups are not negligible: here is the evidence of the stability of both the Nordic and the Liberal regimes in terms of intercohort inequality and of the strong intercohort inequalities created inside both the corporatist and the familialistic regimes.

**Figure 6**

**RADI Inequality Measure (interdecile ratio)**



Source: LISproject microdata, the author's calculation. See previous figure.

If the intercohort inequality dynamics affect different shapes inside the different welfare regimes, intracohort inequality matters too. In terms of contrasts between the top and the bottom of the standard of living distribution, the cohorts dynamics matter. We measure here the intracohort inequality with the interdecile ratio  $D9/D1$ , the ratio between the income of the richest 10% and the income of the poorest 10% (Figure 6).

The most noticeable results are:

- The spectrum of inequality measures is well known: the United States is the most unequal country with Denmark being the most equal; Italy is closer to the United-States and France to Denmark.
- In Denmark, the situation is stable.
- In France, we have a decline in seniors' inequality: in the eighties, the older, the stronger the intracohort inequality, and the former older cohorts has been replaced by younger ones which are more equalitarian, but the youngest cohort do not improve their degree of intracohort equality.
- The United States faces stronger intracohort inequality for seniors (the young being more equalitarian, and inequalities seeming to increase with age), and this structure of increasing inequalities of elders is increasing (the contrast between juniors and seniors is deeper nowadays).
- Italy is more unstable, but younger cohorts face stronger intracohort inequality in 2000 than in the mid-1980's, when it is the opposite at age 50. Relatively poorer (Figure 5) and more unequal, and dynamically facing pauperization and increasing inequality, the younger Italian cohorts are visibly challenged. Moreover, a deeper analysis (Chauvel 2007) shows that these elements are even more severe when we include a demographic argument: the situation of young Italian adults is difficult but their answer to this challenge has been a decline in their fertility: less children mean higher standards of living (because the income is shared between less consumption units). If the fertility rate of contemporary young adults remained unchanged when compared to the 1980's, their economic difficulty would be even stronger.

In France, and even more in Italy, the conditions and the standards of living of younger cohorts are destabilized: the young experience dynamics which are significantly less propitious than their elders'. It means a rupture in the welfare regime which is not sustainable, since the socialization of newer cohorts differ from that of previous cohorts, at the expense of newer cohorts.

At the opposite, no radical changes appear in both the Danish and the American dynamics: here are stable welfare regimes with no clear rupture in the process of socialization of different cohorts. The strong social protection in Denmark remains a collective good shared by all age groups, and the American inegalitarian system remains almost the same on the period 1985-2000 (but if we come back to the previous period of "reaganomics", the rupture of regime was obvious, but is now a question of long term historical change).

### **Welfare regime ruptures and consumption**

The main conclusion is that the answers of the different welfare regimes to the economic slow down of the post 1970's period differ substantially. The Danish model of welfare faced the challenge with a universalistic objective of stabilization and protection of all age groups equally; the young adults are not the specific victims of any kind of retrenchments in the model. At the opposite part of the inequality spectrum, the United-States did not diverge from their principle of competitive market, and both the young and elders face similar perspective of life course.

Conversely, the French and the Italian answers to the new challenges, with a stronger protection and more affluent positions of seniors and more difficulties for the younger cohorts (lower relative income, difficulties in gaining access to economic independence and in entering the job market, and stronger inequality in Italy), creates a paradoxical situation where social democracy seem to improve

in the older cohorts while the young are destabilized. The French diagnosis of double victimization of younger generations (victims of both fake liberalism which give freedom only to those who have the economic means and fake socialism which has forgotten the young) is relevant in Italy also.

The central point of my conclusion pertains to the long-term sustainability of welfare regimes. To be stable in the long term, a social system must arrange its own reproduction from one generation to the next. In France and in Italy, today's seniors benefit from a large welfare state, but the vast social rights they were able to accumulate was the consequence of their relatively advantaged careers; we assert that the new generations, when they become seniors themselves, will not be able to benefit from the same rights, and the large size of the present welfare state will mechanically erode with cohort replacement, since the reproduction of the welfare regime is not ascertained.

In France, where the generational dynamics of the different social strata are parallel if not similar, the major problem is not generational inequalities, but the fact that newer generations heavily support a welfare system that could collapse before they benefit from it. The problem is not stagnation, but lack of preparation in the long-term, at the expense of the most fragile population: the young and the recently socialized generations. Here lies the problem of sustainability for the current welfare regime: it appears large, strong and durable, but its decline is almost certain; the security it offers to seniors is often at the expense of young cohorts facing radical uncertainty.

In the United States, the case is more complicated. For the young generations, the highest classes enjoy exceptionally better positions while the median classes see their fortunes stagnate and the poor are subjected to relative, if not absolute, deprivation. For the moment, this regime is stable and seems durable. At the opposite, the Danish one shows the high standards of protection, equality and solidarity could be inter generationally stable too, since newer cohorts benefit from similar conditions and rights than their elders.

The key questions are: will younger generation in France or in Italy continue to sustain a system where their social condition is devalued compared to the older generations, with no clear prospects of improvement? For the moment, these intergenerational inequalities are accepted, since they are generally unknown, their social visibility is low and their political recognition null. These examples of the corporatist and familialistic impasse show that if we want solidarity, there is no other way than in a universalistic model (similar to the Nordic one) which support equally the young, the mid-aged and the elders, in a long term perspective of socialization. In terms of consumption, these results give a better understanding of differences in the national life course perspective of standards of living. In France, compared to the United-States, the young generation faces real difficulties, and, at the opposite, the nowadays seniors benefit from a specific economic boom and from economic homogenization (more equality); in France, seniors appear attractive targets for marketing products while the young are often framed in terms of social problems. The Italian situation is similar, but the demographic collapse of young generations of adults (less numerous with less children) and their increasing degree of familialistic dependence reduces the degree of immediate visibility of the social problem; but this problem will necessarily appear raising the questions who will care for elders? At the opposite Denmark seem to be a stable model of development of a universalistic solidaristic regime of collective improvement. The social problems which appear elsewhere (deepening gap between the rich and the poor, accumulation of social problems for the newer generations, destabilization of the young educated middle class, etc.) seem to be relativized and smoothed, and the general atmosphere is more propitious to a socially homogeneous and the development of a “wage earner middle class” in a knowledge based society. While recognizing there are limitations to the welfare regime model approach this analysis suggests the universalistic welfare regime is sustainable and maintains its own capacity for long term development.

## Notes

1 I wish to acknowledge the helpful comments, useful questions and editing help that I received from Ian Rees Jones, Martin Hyde, Chris Gilleard and Paul Higgs.

2 France and the United States both experienced a period of post-war affluence: the American “Golden Age of capitalism” (Maddison, 1982) and the French “Trente Glorieuses” (Fourastié, 1979), which contrast with the subsequent period of economic slowdown and “diminished expectations” (Krugman, 1992). See, notably: Chauvel, 1998 [2<sup>nd</sup> ed. 2002].

3 The French representation of the social stratification system in terms of occupation is different from the American one; the French tradition is very strong and contributes to a declining but still central “classist” vision of French society, shared by most social scientists, the media and social actors. In this respect, the contrast with the US is dramatic. See also Szreter (1993) who develops a comparative view of the difference in the representations of middle class occupational groups.

4 During the twentieth century, an average age gap of about 30 years separated parents and their children.

5 These parents are about to help their children in different ways with the intensification of “*solidarités familiales*” (transfers and transmissions between generations, both financial, in kind, cultural and material) that Attias-Donfut (2000) describes, but at the collective level, the first and the most efficient *solidarité* would consist of a redistribution of social positions.

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