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Working Paper

Patterns of popular support for the welfare state: a comparison of the United Kingdom and Germany

WZB Discussion Paper, No. FS III 01-405

Provided in Cooperation with:

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Suggested Citation: Mau, Steffen (2001) : Patterns of popular support for the welfare state: a comparison of the United Kingdom and Germany, WZB Discussion Paper, No. FS III 01-405, Wissenschaftszentrum Berlin für Sozialforschung (WZB), Berlin

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Veröffentlichungen der Abteilung *Sozialstruktur und Sozialberichterstattung* des
Forschungsschwerpunktes *Sozialer Wandel, Institutionen und Vermittlungsprozesse* des
Wissenschaftszentrums Berlin für Sozialforschung

ISSN 1615 - 7540

FS III 01 - 405

Patterns of Popular Support for the Welfare State

A Comparison of the United Kingdom and Germany

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August 2001

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Abstract

This paper deals with the problems of social acceptance and social support of the welfare state. It starts with a brief presentation of approaches which infer in an immediate way from the self-interest of the citizens as welfare beneficiaries ('beneficial involvement') to the question of social acceptance. Although the importance of this factor is undisputed, the conceptual reliance on a purely interest-defined understanding remains insufficient since it does not explain why the welfare state institutions also find social acceptance amongst groups which are not net-beneficiaries. The issue of how social support is constituted will be reframed in three respects. Firstly, the supportive attitudes towards the welfare state are not solely motivated by the benefit status, they are also related to the expectation of returns. Thereby the welfare institutions are perceived as guarantors of intertemporal risk balancing. This expectation of future benefits makes people willing to accept an enormous redistribution from welfare contributors to receivers. Secondly, it will be argued that the normative dimension, i.e. what people find equitable, just and fair, can be viewed as a complementary dimension of self-interest without which the phenomena of social acceptance or disregard cannot be grasped. Thirdly, the institutional architecture of welfare programmes will be introduced as the crucial determinant of the codetermination of self-interest and the normativity.

By comparing the United Kingdom and Germany (East and West), the relation between institutional designs and individual orientations will be investigated more in detail. At first, the institutional architecture of both welfare states will be presented with special emphasis on the mode of interest integration in terms of 'beneficial involvement' and the conditions of 'return expectations', on the one hand, and the 'normative references', on the other. In a subsequent analysis of the attitudinal patterns within the different welfare regimes, this perspective will be sharpened further. Databasis will be the ISSP 1996 (International Social Survey Programme) with its module 'Role of Government'. Within different fields of social policy (pension, unemployment, income redistribution) it will be looked at the group-specific effects of the institutional architecture and the extent of attitudinal differentiation. From this, some conclusions will be drawn of how welfare institutions condition and generate social acknowledgement and support.

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1 Framing the acceptability of welfare state institutions

The welfare state represents one of the major integrative arrangements of modern democracies. It has an important impact on the redistribution of wealth and the structure of inequality. In some respects, the welfare state helped to heal social divisions or at least to mitigate social inequalities; not only in terms of material inequalities, but also in ideological and political terms. Although essential for the idea of the welfare state, the society-wide support for such redistributive efforts cannot be taken for granted. Older collectivist thinkers of welfare were less concerned with this kind of problems. Marshall (1965, p. 97), for example, saw a “growing measure of agreement on fundamentals” with regard to the provision of services and the willingness of the citizens to contribute. Many of those on the Left but also New Liberals had a great faith in human public-spiritedness and the mobilisation of altruistic motivations. In the Beveridge Report one can find an expression of the self-esteem of that time: “The capacity and desire of the British people to contribute for security are among the most certain and impressive social facts” (Cmnd 6404, 1942, p. 119).

Since the comfortable mixture of economic growth and welfare state expansion has come to an end, the welfare state has been subjected to a crisis discussion. Its integrative capacity and its ability to compromise different class interests were doubted. It was assumed that pro-welfare-state orientations thrive under conditions of a prospering welfare state, whereas they “tend to decompose under zero-sum conditions” (Offe 1987, p. 530). Many commentators saw the end of the ‘welfare consensus’ and the rise of individualist and anti-collectivist ideologies which would turn against social protection and state intervention. It was assumed that the higher status groups will express their anti-welfare sentiments - as a kind of rational opposition - within the political arena, whereas the welfare beneficiaries of the lower status sections of the society might be the defenders of the welfare state.

In this regard, it was widely assumed that people will support social institutions if they derive benefits from them. The ‘beneficial involvement’ of social groups was seen as the crucial factor for the public standing of the welfare institutions. This type of ‘rational legitimacy’ on the basis of interest orientation has been interpreted as the major mechanism that ensures the public support of the welfare state. It has been empirically verified that the benefits people enjoy have an effect on their valuation of the welfare state (e.g. Roller 1992, Shapiro/Young 1989, Taylor-Gooby 1983). In many contributions it was suggested that the larger the groups who benefit from the welfare state, “the less likely people will come to oppose government intervention to reduce inequality” (Kluegel/Miyano 1995, p. 87). Special attention was given to the middle classes which were supposed to form the social and political backbone of the welfare state: “The idea here is that if the middle classes benefit

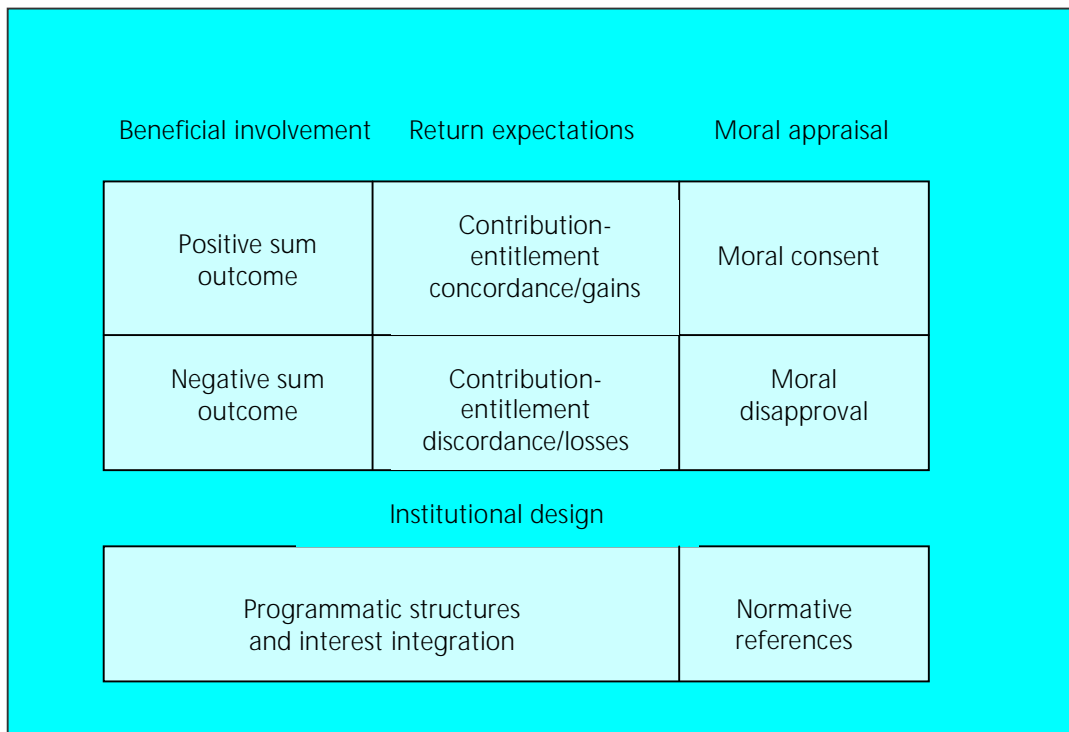
from programmes, then they will not use their not inconsiderable political skills to obtain more resources for those programmes or to defend them in periods of decline” (Goodin/LeGrand 1987, p. 210).

Although the expansion of the welfare state has brought more and more people into the status of beneficiaries, the public support of the welfare state does not simply coincide with the current benefit status. Moreover, the welfare state also relies on the support of groups who form the contributory backbone of the welfare system. The socially important groups of tax-payers and the insurance contributors are asked to accept redistribution of resources. To a large extent, these redistributions stream from the economically active population to the ‘inactive’ parts of the population such as the elderly and the unemployed. There is no doubt that the acceptance of such redistributive efforts have a strong normative element (as the expression of ‘generational solidarity’ in the German case suggests), but there are also good reasons to assume that parts of these redistributions likewise fulfil the self-interest dictum. This is especially the case if the institutional architecture does give priority to intertemporal and horizontal redistributions, i.e. if there exists a strong premium-benefit link that suggests that the current financiers will be future beneficiaries. An insurance logic, for example, that forms ‘internal constituencies’ of insured and establishes property-like relationships between fund contributions and benefit-entitlements does not run into risk of being too demanding in a normative sense. For generating ‘rational’ supporters of the system, the institutional design needs to suggest that those who finance the social insurance are likely to profit from it. Thus, welfare institutions that give a number of people a ‘stake in the system’ make possible extensive redistributions between social status groups.

These horizontal redistributions are supplemented by redistributions which are morally more demanding because they carry elements of vertical or cross-group resource transfers. They are in need of a normative approval since they redistribute resources between social groups without satisfying any return expectations. Such programmes are, for example, those which are designed for special groups, those which possess an uneven risk distribution or those which aim explicitly at redistribution of wealth and income (e.g. a progressive tax system). To explain the programmes’ public standing, other factors have been brought into play, namely, the moral or normative orientations of the citizens. The moral or normative dimension stands for supportive orientations relatively independent from one’s own profits. Etzioni (1988, p. 67) has emphasised the “irreducibility of moral behaviour” that is affected by values, ideological convictions or emotions, and coexists with the instrumentalist orientation. Accordingly, people seek to balance between their individual well-being and their moral commitments with regard to the common good¹.

This normative dimension seems to be even more relevant if one conceives the welfare state itself as a normative venture designed not only to guarantee income security but also to redistribute income resources and to alleviate social hardship. In this respect, the welfare state has to refer to normative dimensions such as solidarity, justice, human dignity or charity in order to induce social support. In other words, the material criteria of acceptability have to be backed and supplemented by normative criteria of acceptability. In concrete

Components of institutional support and acceptance



terms it means that the institutionalised values and norms must appeal to the sense of justice and adequacy of a large number of citizens in order to generate support. Because the “burden of discomfort (...) is a necessary part of any policy” (Ringen 1987, p. 50), the social security institutions depend on a ‘normative soundness’ or ‘moral plausibility’ which give reason to participate and to contribute beyond pure self-interest. Institutional support depends on the perception of the just distribution of burdens and that the social benefits are addressed to those who are considered as deserving (e.g. in terms of need). It also depends on the individual assumption that the norms and values incorporated in the institutions make sufficient sense to a number of people and generate their compliance; which, in turn, validates the institutional arrangement and motivates ongoing support (Offe 1999, p. 70). Without such a wider normative compliance that exceeds the rather narrow self-interest the welfare institutions would be truly at disposal as soon as they fail to meet the ‘material’ demands of the citizen.

In the face of these interventions, the ‘beneficial involvement’ in the narrow sense has to be seen solely as one component that can constitute support for the welfare state institutions. Although it might be the best approximation towards the issue and turn out as the strongest predictor of welfare state support, the landscape of ‘rational support’ and

‘rational disapproval’ in terms of being a net-contributor or net-beneficiary does not provide a clear-cut account of the mode of social support and acceptance of the welfare state. Moreover, the two other components, the ‘return expectations’ and the ‘moral appraisal’, have to be brought into play. As ‘beneficial involvement’ they are influenced by the shape and content of the institutional set-up. In other words, the patterns of social support or retreat from the institutional asset depend very much on the way how the welfare institutions integrate interests, establish trust-relationships of expected returns and resonate normatively.

The recognition of the double face of institutions - with a norm-setting function and as an environment of self-interest - has given reason to the researchers to reframe the question of public support and the acceptability of welfare institutions. Rather than a cost-benefit-calculation, it was started from the assumption that it is an admixture of motives that determines the positioning towards the welfare state. The normative side, which can not be subordinated under the self-interest dictum, could be established as a separate analytical dimension of looking at institutions. Furthermore, one could distinguish between immediate benefits, on the one hand, and contributions which will establish entitlements (and eventually future returns), on the other. By the latter, people can be motivated to accept huge transfer schemes to the benefit of current welfare recipients. Thereby, the institutional structure takes over the role of a stabiliser of return expectations that makes massive transfers within ‘insurance communities’ agreeable.

Scholars from the ‘new-institutionalist’ school² have concentrated on the role of institutional arrangements for the question of social support. For institutionalist theories of the welfare state (e.g. Esping-Andersen 1990, Pierson 1992, Skocpol 1992, Rothstein 1998) which focus on the emergence of certain arrangements, interest structures, processes of social accommodation and the reasons of institutional inertia, the linking of normative and material arguments was quite crucial, but it was less so in the branch of public opinion research. Researcher coming from this background still dealt with the distribution of attitudes, their group specificity and structural determinants. A systematic qualification of the welfare programmes as objects of acceptance and a differentiation of their organisational structure, the type of benefits and entitlement, the redistributive effects and their legitimacy mode was not in the centre of attention. But indeed, it is this domain of institutional analyses that would allow a better reconstruction of how the welfare state affects the people and what makes an institution morally compelling or not. The interplay between normative and instrumental criteria of acceptability which appeal to individual motivations can be described as the ‘moral economy’ of welfare states.

2 Institutional design: interest integration and normative references

The use of welfare state typologies has become a common analytical tool for comparative purposes. For the comparison of the United Kingdom and Germany one might draw on Titmuss' (1974) "models of social policy" and Esping-Andersens' (1990) "worlds of welfare capitalism". Within Titmuss' frame, the UK would represent the "residual welfare model" with a limited function of state welfare, whereas Germany can be characterised as an "industrial achievement model" where the policy is constructed in close relationship with the employment status. Esping-Andersens' welfare regimes cluster the different models in a similar way. By taking up and fleshing out the Marschallian (1963) proposition that social citizenship constitutes the core idea of the welfare state, Esping-Anderson looks at the way in which social rights and entitlements are granted. Central for the distinction of different models is the level of *de-commodification*³ of labour within state welfare, i.e. how independent from the market position of individuals the social safety net does provide social security and benefits.

The German conservative welfare model is distinguished by group politics, communitarian economics and mutualist social policies (Goodin et al. 1999, p. 51). Born out of authoritarian and paternalist strategies of modernisation, the German welfare state is organised around the unifying theme of social cohesion and social integration. Since its beginning, the welfare state has remained firmly based on corporate social insurance organisations, contributory schemes and a compulsory character of insurances. The 'industrial achievement model' is, in Titmuss' (1974, p. 31) words, one where "social needs should be met on the basis of merit, work performance and productivity". Hence, social protection is not primarily provided for those who are presently in distress, but moreover for groups which are considered to be the productive resources of the industrial society. The main pillar of the German welfare state are social insurances which are closely related to the labour market.⁴ Their organisational form links benefits to prior earnings in order to maintain the relative status of the beneficiary. The system of social insurance "relates proportionally each wage-earner's rights to the contribution that he or she has paid or that the employer made on her behalf" (Chassard/Quentin 1992, p. 94). This principle of equivalence is status preserving and puts emphasis on upholding social and economic differentials. The redistributive impact of the German welfare model is therefore limited. It promotes a concept of 'individual equity' on the basis of status maintenance and equivalence, supplemented by supporting programmes for particular groups such as housing benefit and means-tested social assistance (see Clasen 1997). The social bias of the conservative model can be found in the privileged treatment of families and its organisation around a bread-winner ideal.⁵

Offe (1991, p. 129) has argued that the German social security system is morally undemanding⁶ in its stated objective of security, because “no one needs to believe in lofty principles of solidarity, justice, or equality to become – and remain – a rational supporter of the system (...). Its modest goal is the guarantee of income – and of relative income status! – for employees and their dependants. As a consequence, rational self-interest on the part of the ‘internal constituency’ of the insured is sufficient as a base for consent”. The set of principles which is part of the system establishes property-like relationships between the fund contributions and the benefit-entitlements, and has promoted a self-immunisation of the system. Those who finance the social insurance are likely to profit from it. The entitlement principles give little indication for a ‘misdirection’ of resources to non-contributors. As long as redistribution remains horizontal, that means within ‘insurance communities’ with a common exposure to a certain risk, ‘rational opposition’ is unlikely to emerge. Cost saving measures have echoed the insurance rationale by targeting the cuts towards the redistributive ‘insurance alien’ rather than towards the ‘genuine’ beneficiaries (see Clasen 1997, p. 78).

Nonetheless, the German welfare state was not only able to generate consent on the basis of status differentials, it also achieved a kind of “differentiated integration” of the society (Leisering 1996). This ‘differentiated integration’ refrains from egalitarian principles and gives higher status groups attractive benefit packages on the basis of their contributory records. In contrast to the British system, the middle classes and people in relatively secure full-time employment form a principally supportive section of the population, especially in the case of pensions. They have, as Clasen (1997, p. 80) writes, their “stake in the system” and they are less encouraged to take up private provision. Therefore, skilled workers, white-collar employees and civil servants have appeared as strong defenders of the core welfare institutions (see Alber 1986, p. 123ff.). With regard to the liberal model, it was argued that the “middle class legitimacy” is the distinctive feature of the German ‘social security state’ (Leibfried 1989).

Although equivalence and compensatory principles have a dominant position in the system, there are also apparent redistributive efforts. Clasen (1997, p. 80) notes that the mix of principles which the social insurances incorporate makes income redistribution easier to legitimise; different values can be stressed and applied. The redistributive element of the pension insurance is given by the fact that although the pension entitlements are based on individual records, the benefits are by no means a kind of restitution of foregone contributions (saving or investment model). Because they are financed on the basis of current contributions to the social insurance fund, huge transfers are directed from the employed labour force to the retired. These solidarity motives are commonly referred to as ‘generational contract’. That the level of pensions is coupled with the actual level of market incomes ensures an apportionment of the increasing national wealth in which the pensioners ought to participate.

In addition, the German unification has posed enormous problems for the integrative capacities of the German welfare state. The welfare state was used as a vehicle to shoulder the high political and social costs caused by a rapid and fundamental social change. For this

task the old West German welfare state was neither designed nor sufficiently prepared and managed it only by moving closer to its limits. Although the unification has seriously exacerbated and deepened many of the problems which were already inherent in the system, the government did not commission a re-examination of the institutional asset. Rather, it was avoiding a general debate about the existing welfare model and its societal prerequisites; none of the organisational principles of East German social services have been taken over.⁷ This strategy created a two-tier welfare state “in which most easterners’ access to welfare compares unfavourably with that of their western counterparts” (Mangen 1994, p. 42), but also with the East on the drip of the West. In the face of serious budget deficits a Solidarity Pact was introduced in 1993 as an attempt to restore the accommodation between the main parties and the social partners “through seeking an agreement ostensibly espousing the principles of solidarity and social justice” (Mangen 1994, p. 50). With this pact, the scale of the East German transformation and the long-term responsibility was finally acknowledged, even if not solved⁸.

Although not an archetypical example of the liberal cluster, the British welfare system is clearly marked by a liberal legacy and owes most of its institutional features to Beveridge’s comprehensive plan for social insurance and allied services. It is characterised by residualist social policies on a modest level aiming at subsistence rather than redistribution or status maintenance. Because there is a substantive acceptance of the supremacy of the market logic, the liberal notion of social policy centres around market relations, choice and free exchange. Liberals value a type of ‘productive social welfare’ safeguarding the market performance and giving priority to high disposable incomes and low taxation rates. In a liberal welfare regime benefits will typically be targeted to those genuinely in need of them. Income support and social services will be given only to groups with a demonstrable lack of income resources. Social security takes the form of “limited substitution” (Clarke/Langan 1993, p. 25) with as less interference with the market mechanisms as possible. A comparably great amount of the system is financed out of general taxation (social assistance and health), whereas insurance contributions have less importance than, for example, in the German system. Some principles of the welfare state, such as the universal health system and the uniform character of many social rights, justify the claim that the British welfare state has a “more egalitarian ethos” (Ginsburg 1992, p. 139) than the conservative system.

The liberal-leaning welfare system of Britain is distinguished by a more significant role of means-tested benefits, modest universal transfers and social insurance benefits. It gains its political appeal from a confined role of the state to protect from fundamental life risks and to ensure a national minimum. Many of the benefits have a uniform or flat-rate character. Although social policy is meant to direct resources towards the people living in poor and deprived conditions, redistribution is not a policy goal in itself. The acceptance of such measures are generated by an ‘equality of opportunity’ vision and the societal obligation to enable people to care for themselves. Therefore, assistance should be given only to those with insufficient resources who are unable to meet their needs at the market. Essential is the underlying division between the ‘deserving’ and the ‘undeserving’ poor that

draws a distinction between those who can principally enter the market relations and those who can not such as the old, disabled and the ill. In order to encourage the market performance of those who are considered as able, the level of social provision is placed underneath the attainable level of market earnings.

Glennister (1995, p. 221) has argued that the British system never won the support of the middle classes because of its minimalist and flat-rate nature. Obviously, the importance of poverty alleviation for liberal social engineering has left an institutional legacy that focuses predominantly on the lower sections of society rather than on comprehensive status maintenance which might attract even higher status groups. Because of the comparatively residual role of the National Insurance and its low income replacement ratio, many households⁹ rely on social assistance and are subjected to a means-test in order to proof eligibility for benefits. That is why the welfare state is largely identified with a social minimum designed to protect from poverty and social hardship. Svallfors (1993, p. 114) has shown that the “fate of the poor is more tightly wedded to other (welfare - S. M.) issues in the eyes of the Britons” than for example in Germany.

The benefit structure is a crucial factor in shaping the political surroundings of the social security programmes. With the weakening of the income-related supplement of the pensions and the growing role of the private pension sector, the stake of the people in the state pension system has diminished. The basic pension is not designed to satisfy the upper and the middle classes. For them, occupational and private pensions have a great significance for income maintenance in old age. Politically, this shift creates a divided constituency: one part with a strong and often entire reliance on a low-level state pension, another part with additional private or occupational provision.

For Britain it was suggested that the welfare state architecture might forward class cleavages between different social groups because of the residual character of the welfare policies (Esping-Andersen 1990, Taylor-Gooby 1991). The stratificatory effect of the system is twofold with “a blend of relative equality of poverty among state welfare recipients, market differentiated welfare among the majorities, and a class-political dualism between the two” (Esping-Andersen 1990, p. 27). Because Britain lacks the strong link between earnings status and benefit entitlements the social insurance contributions are perceived as another tax rather than as genuine insurance premium. This is the reason why the ideology of ‘welfare burden’ took root more easily in Britain than in Germany (Wilson 1993, p. 148). And that explains why privatisation programmes, the anti-dependency-rhetoric and the attacks against excessive and wasteful state welfare could attract the middle classes. The low standards of social protection and the widened opportunities for exit from direct state provision endangered the loyalty to the mass services (see Taylor-Gooby 1987, p. 27). Another diagnosed possible effect is the fragmentation of the welfare state into two sectors: a heartland of services such as pensions and health, and a more rigid sector including housing, unemployment, social work, and means-tested cash benefits with a widespread “scepticism about value for money, and a preparedness to stigmatise recipients” (Parry 1986, p. 235).

3 The logic of popular support: pensions, unemployment and redistribution

In the subsequent empirical investigation into the stances of public attitudes towards different welfare issues, the conceptual framing of the institution-based components of acceptability will be taken up. The policy domains of health and unemployment and the issue of redistribution will be evaluated in terms of 'beneficial involvement', 'return expectations' and 'normative references'. By the same token, the pattern of public attitudes towards these issues are viewed as a complementary realm. The influence of these components can be assessed only indirectly since the uttered opinions are always aggregated of all of them. Therefore, a perspective is adopted which compares groups with a rather different relatedness to the respective policy field. Ideally these are groups which are the contributors for welfare and those who are the actual welfare beneficiaries. In another context Lespius (1990, p. 128f.) has used the term *Versorgungsklassen* (groups of welfare beneficiaries with a certain dependency on transfer income) in order to highlight the structural importance of the relatedness to the welfare schemes. The divisions used here are rather hypothetical, but the empirical results will allow to infer to the mode of interest integration and the normative standing of the institutional asset.

Databasis will be the ISSP 1996 (International Social Survey Programme) with its module 'Role of Government'. The data have been supplied by the Zentralarchiv für empirische Sozialforschung Köln (ZA). In Germany, the ISSP is polled within the frame of the Allbus-survey organised by the Zentrum für Umfragen und Analysen Mannheim (ZUMA). In Britain the Social and Community Planning Research (SCPR, London) is administrating the survey. The group comparisons are operationalised via cross-tabulations. Cramér's V is a chi-square-based measure that indicates the degree of association between two variables (range from 0 to 1). Ordinary least square regressions (OLS) are used for capturing the structural differentiation of the attitudinal stances towards spending in the sections of pensions and unemployment and towards governmental redistribution. Independent variables of the regression models are the belonging to an income class (income quartiles) and the socio-economic status (employed, pensioner, unemployed). The first one is a vertical dimension, whereas the second one describes a specific relatedness to the welfare programmes. The tables present the standardised beta-coefficients and the respective T-values.

Pensions

In both countries social spending on pensions represents a major part of the social budget. Britain has a relatively basic and uniform pension system, while Germany possesses a highly stratified system of earning-related pensions with high replacement rates. Two significant effects of the different social insurance models can be identified. At first, British pensioners are much more likely to be reliant on social assistance benefits than their German counterparts. The poverty rate amongst the aged is comparatively high (see Korpi/Palme 1998, also Hauser 1999). It has also been shown that the income of pensioner households as a proportion of the average of all households is much higher in Germany than in the UK (Hedström/Ringen 1990). For the German case, empirical studies confirmed that the relative status obtained by the recipient during his working life could be maintained and that the income situation does not significantly worsen in old age. The incorporation of the East Germans into the pension insurance has even prevented social hardship during the transformation process and East German pensioners belong to the 'relative' winners of the unification (not at least because of the high rate of female labour participation in the former GDR) (Mathwig/Mollenkopf 1996, p. 129).

Secondly, the German pension system maintains status differentials between the elderly and gives a privileged status to people with a long employment biography, male employees and civil servants. In contrast, the British pension system does have some equalising effects due to its flat-rate type of basic pensions and the lesser importance of earning-related supplements. The existing inequality amongst the pensioners is mainly a result of private and occupational pensions rather than the state system. In terms of inequality, German pensioners are more unequal than the overall German population, whereas the income distribution amongst the elderly in Britain remains below the average inequality (Korpi/Palme 1998).

In terms of interest integration as a basis of social acceptance, the German pension system operates highly successful. Social security in old age is assumed to be 'earned' through employment and insurance contributions. In some sense, pensions can be conceived as societal rewards for past productivity¹⁰. Because of the premium type of social insurance people have strong 'return expectations' towards their 'deserved' entitlements and they "place a great value on them" (Schmidt 1999, p. 27). This contribution benefit relation of the German pension system does not only safeguard income maintenance in old age, it also establishes a property-like relationship of the contributors towards the pension entitlement. The redistributive element of the pension system is given by the fact that the pensions are financed out of current contributions. Because of the electoral power of the pensioners the major political parties have always shown a protective attitude towards the pension system. When changes were made, they were of gradual and incremental nature with only minor impact on the current pensions. Thus, West German pensioners represented a relatively satisfied group of the welfare clientele (Bulmahn 1999, p. 606).

In Britain, the contribution entitlement relation of pensions is less tight. The major component of the system are the flat-rate basic pensions which are financed by an earning-related contribution to the National Insurance paid by the employee and the employer (NI also with additional governmental funding). An earning-related element for pensions (SERPS) was introduced relatively late, and although the number of graduated pension receivers increased over time (in 1994 42 per cent of all pensioners had a SERPS element), it hardly reached the importance as in the German system. The Conservatives generally took the stance that earning-related supplements should be available through private and occupational schemes and they encouraged people to contract out of the SERPS scheme. In addition, pensions promised and paid for were cut. Thus, the replacement ratio of the state pensions in relation to the incomes of those in work has declined sharply. From the perspective of the individual contributor, therefore, the state pension represents solely a basic provision which is, by and large, at political disposal. As Williams et al. (1999, p. 4) report from their study: “State schemes had not the image of giving good returns in comparison with private schemes, and the assumption was that this discrepancy would increase over time.”

Graph 1: Status groups and spending on retirement

	United Kingdom		West Germany		East Germany	
	Employed vs. Retired					
More spending	73.5	86.8	39.8	52.1	50.9	76.0
Same or less spending	26.5	13.2	60.2	47.9	49.1	24.0
Cramers V	0.135**		0.108**		0.241*	

Data: ISSP 1996

Table 1: Attitudes towards spending on pensions by structural determinants
OLS-Regression

	Britain	West Germany	East Germany
N	866	1647	846
More/much more (support in per cent)	78	44	60
Economic status			
Employed	0.045 (0.670)	-0.028 (-0.921)	-0.066 (-1.480)
Unemployed	0.145** (2.790)	0.035 (1.385)	-0.025 (-0.701)
Retired	0.294** (4.650)	0.110** (3.360)	0.098* (2.431)
Household income per head	-0.049 (-1.411)	-0.164** (-6.583)	-0.153 (-4.080)
Constant	3.645	3.790	4.287
R Square	0.068	0.045	0.058

Question: Should the government spend more or less on retirement? Remember that if you say 'much more' it might require a tax increase to pay for it.

*p < 0.05, **p < 0.01

Standardised b-coefficients, T-values in parenthesis

Categories: (1) much less, (2) less, (3) same as now, (4) more, (5) much more.

Data: ISSP 1996

On an overall level, the Britons appear to be most in favour of higher spending for old age pensions (78 per cent). Williams et al. (1999, p. 5) state in this context: "While people were pessimistic about the future of state pension provision, there was a strong expectation and desire that the state *should* be responsible for providing a basic level of retirement income. The general feeling was that this should be higher than the current level of the basic state pension enabling people to live without hardship and without the need to claim income-related benefits." In West Germany, the demand for more spending is rather modest, and half of the West Germans showed a relative contentment with the current level. However, if we look at the groups which are most affected by pension policies, the employed who contribute to the pension fund and the pensioners themselves, we do not detect sharp group divisions (Graph 1). The attitudinal cleavages in West Germany are remarkably small and it can be argued that the institutional design does give little reason for such group-specific perception, since both groups are well integrated in terms of 'positive outcomes' or well-served 'return expectations'. Nearly half of the retired population prefers a stable expenditure level and does not follow the path of ever-rising entitlement demands. The pension system seems to be satisfactory for many of them. Only in East Germany, the pensioners are markedly distinct, what might be explained by the remaining pension differences

between the East and the West. In Britain, the dissatisfaction with the modest pension level is widespread and encloses the current contributors as well as the current beneficiaries.

The regression (see Table 1) reveals that the pensioner and the unemployment status in Britain have a significant impact on the attitudes, whereas the income status has not. Although the income status has an influence on the available pension package, the attitudes seem not to be structured along this line. Even high income groups for which the basic pension provides only a minor part of their pension portfolio call for a stronger engagement of the welfare state and do show concern for this policy domain. But nevertheless, the transfer classes are those which are most strongly in favour of more state engagement. In West and East Germany the income dimension has some more significance. The higher the income the less people are inclined to support higher spending on pensions. In the second place, the pensioner status significantly contributes to the overall model. Although the serious and widespread unemployment problem does make a difference for the employment-record-based pension model, the unemployed status shows no significance. But nonetheless, the demand of the unemployed for more spending on old-age pensions exceeds the one of the actually retired if we look at it in percentage terms.

Unemployment

The logic of the unemployment insurance significantly differs from the pension insurance. Although the institutional architecture suggests a somehow similar contribution-oriented accumulation of entitlement credits, there are marked differences with regard to the relation of contributions and risk distribution. Although there is some pretence within the constructive principles of the unemployment insurance that people would benefit according to their 'earned entitlements', there is hardly any discriminatory treatment of risk exposure. The compulsory character of the unemployment insurance obliges (nearly) all people in standard employment relations to contribute to the insurance fund with a certain percentage of their earnings. In case of unemployment entitlements are established via previous insurance membership and a contributory record. The German model relies on earning-related income transfers, whereas the unemployed in Britain receive a rather modest flat-rate benefit. In addition, both countries possess income- or means-tested social assistance schemes for groups of unemployed which are not entitled to unemployment benefits or who have exhausted their entitlement.

But unlike the pension insurance, the unemployment insurance scores quite low in terms of overall 'return expectations'¹¹. Unemployment is a socially biased risk with a relatively uneven risk distribution. Obviously, this conditions the perception whether people see themselves as prospective beneficiaries or not. People in certain employment segments, less-qualified persons and people with unstable employment biographies are more likely at

risk of becoming unemployed than people who belong to the core sectors of the labour market. Although some qualifying conditions restrict the access towards the scheme for people in irregular and precarious employment, risk dispersion within the insurance community remains biased. Thus, the transfer of resources between social groups is an obvious component of this benefit type, i.e. the unemployment risk is regulated by common risk sharing and a compensation for 'non-employment' (Nullmeier/Rüb 1993). Here, it seems to be decisive how the relation between the groups of beneficiaries and the actual contributors is framed.

For the German case, for example, it has been emphasised that the social security system appears to be vulnerable to labour market imbalances, because the labour market determines the size of contributors and the size of beneficiaries (see Offe 1991, p. 130/131). This vulnerability extends to the socio-political effects of an imbalanced labour market with sharp divisions between the active insiders and the inactive outsiders. The system operates in a way that instead of communalising the social risk of unemployment, people tend to perceive the biased and group-specific effects of redistribution. The risk community appears to be divided into two fractions: the groups in regular employment which cover the costs of the insurance funds, and the others outside the market who receive transfer income. In a similar vein, Esping-Andersen (1990, p. 227/228) has highlighted the danger of an 'insider-outsider' phenomenon within the German system: "To support housewives, male earners must rely on high net take-home pay; to support the welfare state clientele, the employed will have to pay heavy taxes. And this is where the greatest potential for a conflict axis appears. (...) When a shrinking active labour force is compelled to shoulder the costs of a swelling human surplus, there is a likelihood of rising tax resentment, especially since the transfers are so clearly from the productive to the non-productive segment of the society." With the unification and the unemployment problem in the new *Länder* this feature has been increased by the highly political transfer dimension of East and West.

The British system, however, is partly confronted with the same type of legitimacy problems since it also relies on transfers from the employed to the unemployed. Nonetheless, the National Insurance contributions take the form of a hypothecated taxation, which establishes benefit rights, but is not based on the equivalence principle. The fact that the contributions are income-related, whereas the benefits have a flat-rate character suggests already a non-concordance of contributions and benefits. Tight entitlement rules and the introduction of 'welfare-to-work' measures indicate that the eligibility is relatively confined and related to behavioural expectations. In terms of coverage and generosity, the British system falls far behind the German counterpart. As Haataja (1998) can demonstrate, the means-tested benefits have a much greater significance for the unemployed population in Britain; the low level of unemployment provision and the restrictive access is simply insufficient to meet the needs of the unemployed.

Graph 2: Status groups and spending on unemployment

	United Kingdom		West Germany		East Germany	
	Employed vs. Unemployed					
More spending	27.4	59.0	24.5	61.5	49.6	76.1
Same or less spending	72.6	41.0	75.5	38.5	50.4	23.9
Cramers V	0.177**		0.209**		0.210**	

Data: ISSP 1996

Table 2: Attitudes towards spending on unemployment by structural determinants
OLS-Regression

	Britain	West Germany	East Germany
N	866	1647	846
More/much more (support in per cent)	35	29	56
Economic status			
Employed	-0.151** (-3.393)	-0.025 (-0.786)	0.060 (0.914)
Unemployed	0.048 (1.330)	0.130** (5.082)	0.178** (3.461)
Retired	-0.073 (-1.827)	0.058 (1.898)	0.203** (3.247)
Household income per head	-0.195** (-5.195)	-0.127** (-5.094)	-0.198** (-5.683)
Constant	3.741	3.384	3.886
R Square	0.086	0.043	0.076

Question: Question: Should the government spend more or less on unemployment benefits? Remember that if you say 'much more' it might require a tax increase to pay for it.

*p < 0.05, **p < 0.01

Standardised b-coefficients, T-values in parenthesis

Categories: (1) much less, (2) less, (3) same as now, (4) more, (5) much more.

Data: ISSP 1996

In the first place, it is noteworthy that the level of support for more spending on unemployment is much lower than in other core areas of welfare engagement such as health and pensions. In Britain and West Germany, there are also significant sections of around 20 per cent of the population who doubt the necessity of governmental responsibility at all. In terms of expenditure more than half of the respondents plea for a status quo and 18 per cent for a reduction of unemployment expenditure, 29 per cent for an increase. In Britain 21 per cent support a reduction of expenditure on unemployment, 44 per cent for keeping the current level and 35 per cent for an increase. The East Germans, in contrast, are more in favour of more spending for the unemployed.

Looking at group effects in Germany we find that the differences between the current insurance financiers and the (potential) groups relying on transfer income¹² are significant (Graph 2, Table 2). This gives some support for an insider-outsider fault line. As assumed groups at risk like the unemployed or low income groups are very much in favour of an increased spending while groups in employment show a lesser concern. The majority of the unemployed regard the unemployment benefit level as too low. For West Germany the findings of the regression suggest a marked attitudinal gap between the unemployed and the 'rest'. It has been shown that the willingness to accept cuts is greatest in the area of unemployment benefits and lowest in the case of pensions with regard to the whole spectrum of benefits (Roller 1999, p. 27). This retreat is related to the high contributory burden to which the employees and workers are exposed and which is the subject of continuous criticisms and complaints (see Föste/Janßen 1997, p. 225ff.).

In Britain, the income classes and the employment status have an significant impact on the spending preferences. It seems that especially the people in employment are reluctant to finance the costly unemployment problem and to share their income. One should not forget that due to the residual character of the unemployment insurance, most unemployed are clients of other welfare schemes which mostly deal with poverty issues. Because of this the transfers to the unemployed have a more apparent vertical dimension. Structurally, one could argue that the groups of unemployed and the low income groups are more likely to overlap, because of the modest flat-rate benefit and the role of income-testing within the system. It should also be considered that unemployment benefits were always exposed to public scruples because it was thought that they undermine the self-help capacities and the virtues of individual responsibility. In contrast to pensioners, the beneficiaries are conceived as 'marketable', and it is thought that too generous benefits would weaken the incentives to take up work. An unconditional commitment of the employed to those outside the labour market is rather unlikely. Politically, as it has been shown, the stances of public opinion to which the political leaders were sensitised, protected the elderly and the health system, relative to other sections such as the unemployment provision¹³.

As already mentioned, the East German support for unemployment benefit does not fall far behind other areas as it is the case in Britain or West Germany. On the contrary, 56 per cent of the East Germans demand a higher degree of governmental spending for the unemployed. Roller (1999) reports that cuts in unemployment benefits along with social assistance and old age pensions are the most unwanted from all. This result is hardly

surprising in the face of the serious labour market problems; the breakdown of the East German economy destroyed 3.4 million jobs and created a crowd of more than 1.1 million unemployed. Nearly half of the East German partner households have experienced unemployment from 1991 till 1994 (Berger/Schultz 1996). If we take into account that unemployment was till then an unknown social phenomenon, the attitudinal stance of the East Germans can be taken as repercussion of a different socialisation, the degree of being affected by unemployment and the course of the transformation process. Nonetheless, the support for increasing expenditure is not unanimous. The status variables 'unemployed' and 'pensioner' are significant predictors for supportive attitudes. The income dimension is surprisingly important suggesting that there is a degree of attitudinal differentiation that has succeeded the rather homogeneous public attitudes of the first years after the unification.

Redistribution

Turning to the issues of income redistribution, two more general observations have to be made in advance. As indicated, neither the German nor the British system explicitly aim at vertical income redistribution. The German model emphasises compensation as realised by the application of the equivalence principle, whereas the British model favours well-targeted transfers instead of redistribution. About the redistributive consequences of these different institutional architectures has been a lot of scholarly discussion. By some, the German type of a status maintenance programme has been viewed as one with a low redistributive record, where resource transfers characteristically remain within the income strata. This point is well taken by Esping-Andersen's typology (1990, p. 27) which describes the liberal welfare state as one that caters mainly to a clientele of low income whereas the conservative welfare regimes puts emphasis on "upholding status differences means that its redistributive impact is negligible". Redistribution, as understood in the conservative paradigm, is "redistributive mainly in the horizontal sense, shifting incomes from the economically active to the inactive population" (Alber 1986, p. 68), and less between different status groups.

The British model, however, implies some kind of cross-subsidisation from the better-off to the less well-off when it attempts to live up to its key objective of guaranteeing a social minimum and lifting people out of poverty. In this sense, targeting does not work without – however limited – redistributive impact. The question is, however, who is profiting from welfare state transfers. In the mid-1980s the bottom income quintile in Britain received 27 per cent of all transfers, in Germany this share was 22 per cent. The top quintile, in comparison, could benefit with 18 per cent of the total share in Germany whereas in Britain only with 12 per cent (Atkinson/Rainwater/Smeeding 1995, p. 107).

According to Goodin and LeGrand (1987) it is mainly through the involvement of the non-poor into the welfare state that social policies have neglected redistributive goals. They have argued that “the more the non-poor benefit, the less redistributive (or hence, egalitarian) the impact of the welfare state will be” (ibid., p. 215). Castles and Mitchell point at the same phenomenon by stating that “earning-related (or status-related) benefits will clearly have less equalising effects, all other things being equal, than flat-rate benefits” (Castles/Mitchell 1992, p. 4). Accordingly, a model that keeps distance from the principles of merit, work performance and productivity, and focuses instead on the need criteria is supposed to be more redistributive.

Nonetheless, there are some well-grounded objections to the idea that targeted programmes are necessarily more redistributive than earning-related insurance benefits (for this argument see Korpi/Palme 1998). The empirical world indicates that there might be a trade-off between income targeting and the size of redistributive budgets, i.e. comprehensive and encompassing welfare states tend to spend more for social welfare. Hence, the size of redistributive budgets grow larger, even if it might represent a smaller proportion of the social budget. This suggests that welfare regimes with fairly large transfer budgets have also marked redistributive effects. Korpi and Palme (ibid., p. 37) have called this the *paradox of redistribution*: “The more we target benefits at the poor only and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty and inequality.” By the same token, data coming from the Luxembourg Income Study (LIS) indicate that the net-effect of transfers and taxes on the GINI-coefficient is more substantial in Germany than in Britain (see e.g. Castles/Mitchell 1992, p. 22, Evrik 1998).

If we take again the perspective of different group involvement into the social security schemes, the redistributive issue has to be viewed with regard to different income groups. On an aggregate level, the differences between West Germany and the United Kingdom are rather modest. The support for this issue ranks not very high in both cases, whereas the East Germans appear as diverging case with strong egalitarian attitudes (see Table 3). The cross tabulation of attitudes towards income redistribution as governmental task by the highest and the lowest income quartiles suggests significant attitudinal gaps between these groups. Without any surprise the highest income quartile is highly divided on this issue and large parts show a reluctance to comply, whereas the respondents from lowest quartile unanimously agree on this issue. Comparing the attitudinal gap between those income groups, we find that Britain possesses the most significant group differences with a rather uniform low income group in favour of redistributive intervention and a parity of supporters and people who refuse income redistribution within the high income group. The Cramers V of the attitudinal group specificity is 0.371 compared to 0.221 in West Germany and 0.177 in East Germany (Graph 3).

Additional insights can be gained by looking at the regression models in table 4. Income turns out to be the best predictor in all three cases supporting the intuitive assumption that the major fault line of pro and contra redistribution runs between income status groups. The probability to support income redistribution declines sharply with growing income. The beta coefficient is largest in Britain and somewhat smaller in Germany. The model includes

also the economic status since one can assume that it is the reliance on the welfare state in general that determines parts of the positioning towards the welfare state objectives. But as we see, significant effects of being welfare dependants (as the unemployed and the retired) could not be detected; an exception is East Germany where the unemployed and, even more, the elderly are strong supporters of a redistributive welfare state. The latter group in most social policy areas exhibits statist and egalitarian preferences. However, there is also an effect on the 0.05 significance level for the West German pensioners. These findings suggest that the question of redistribution is a rather special issue within the complex of welfare principles that is – in Britain and West Germany - structured along vertical lines rather than along the division of welfare clientele and the potential payers for welfare. In East Germany, instead, the attitudes are more structured according to the socio-economic status.

Graph 3: Income groups and the issue of redistribution

Government responsible to reduce income differences	United Kingdom		West Germany		East Germany	
	Lowest vs. Highest Quintil					
Should	85.7	51.3	71.1	49.6	90.0	76.8
Should not	14.3	48.7	28.9	50.4	10.0	23.2
Cramers V	0.371**		0.221**		0.177**	

Data: ISSP 1996

Table 3: Attitudes towards redistributive policies by structural determinants
OLS-Regression

	Britain	West-Germany	East Germany
N	866	1647	846
Agree/agree strongly (support in per cent)	68	61	84
Economic status			
Employed	-0.001 (-0.019)	0.033 (1.026)	0.051 (0.746)
Unemployed	0.040 (1.102)	0.037 (1.338)	0.105* (1.980)
Retired	-0.027 (-0.662)	0.062* (1.976)	0.221** (3.407)
Household income per head	-0.231** (-6.104)	-0.168** (-6.568)	-0.128** (-3.565)
Constant	4.057	3.623	4.071
R Square	0.057	0.029	0.046

Question: What is your opinion of the following statement: "It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes."

*p < 0.05, **p < 0.01

Standardised b-coefficients, T-values in parentheses

Categories: (1) disagree strongly, (2) disagree, (3) neither nor, (4) agree, (5) agree strongly

Data: ISSP 1996

The vertical structuration of attitudes is obviously an interest-based phenomenon (Table 3). But still, even amongst the high income groups who are the potential losers in this allocation, redistribution finds remarkable support. On the other hand, there are also significant sections of people with low income which doubt whether governmental redistribution is necessary. Overall – with the exception of the egalitarian East German case – it seems that the objective of income redistribution is not deeply entrenched within public attitudes and a matter of potential conflict.

By some it has been argued that the Thatcher era was characterised by growing inequality where, on the one hand, an affluent majority has gained from the enterprise economy and the privatisation, whereas, on the other hand, deprived and less successful groups were depending more and more on state transfers (Ginsburg 1992, p. 190). Therefore, there were fears of a growing gap between different groups in their attitudes towards welfare intervention. The results suggest, that the attitudinal cleavages between different income groups in Britain are quite remarkable. The combination of a rather developed subsistence and a poverty policy with an ostentatious distancing from programmatic redistribution has an ambiguous impact on the normative appeal of the institutions¹⁴. The ideological notion

of welfare policies remains committed to the supremacy of the commodity logic and sees inequality as a function of free market relations. Paradigmatically, it is assumed that the market allows the creation of wealth and disposable income that would 'trickle down' to the lower sections of society. From this perspective, the "ethic of equalisation" (Szirmai 1986, p. 103) hinders market productivity.

Within the West German public there is a majority which complies with this redistributive task, but only one quarter agrees that the government should definitively reduce income differences and nearly 40 per cent take a stance against. The extent of disagreement which is apparent on the aggregate level can be explained by two factors. On the institutional side we find a predominance of the principle of equivalence which limits the redistributive effects of the welfare state. The normative justification of many welfare state institutions gives priority to 'earned' benefit entitlements. Thus, the consequent incorporation of the 'insurance logic' into the welfare system has subordinated other allocation principles. Although massive income transfers take place within the insurance communities and through the tax and benefit system, a number of programmatic elements tend to veil the redistributive impact. Even the large groups of beneficiaries will not perceive their benefits as redistributive outcomes but rather as contribution returns. Hence, the public might be less attracted by the policy principle of redistribution than by the commitment to the main services such as health and pensions. Although there are significant attitudinal differences between the income groups, the dissent is less stratified according to structural determinants than in the British case. The explained variance is markedly smaller. This finding is in line with previous research results which indicated an only modest effect of socioeconomic background variables on the issue of income redistribution (e.g. Roller 1992).

The East German case differs drastically from the West German pattern. Overall, East Germans are much more in favour of redistributive policies; they possess a highly 'egalitarian ethos' and expect the state to correct market inequalities. The dominant allocation principle and its outcomes are less legitimised than in the Western part of the country. This empirical result can be explained by the postcommunist heritage and socialisation effects, but also as being caused by the 'impositions' of the present time. East Germans were facing rapid and deep social changes which brought about a much higher degree of inequality and insecurity to which they are not yet habituated.

It goes without saying that the East Germans represent a 'substratum' of the German society. Proportionally, the majority of East Germans ascribe themselves to the lower and the working class, whereas West Germany has a clear middle class bias (Mau 1996). This inequality structure accounts for rather different attitudinal stances, whether in comparison with the West German counterpart or with regard to the differentiation of attitudes. Nonetheless, there is some group specificity and differentiation of the attitudinal stances and the East Germans appear to be less homogeneous than in the first years after unification. It has been said (e.g. Liebig/Verwiebe 1999, p. 20), that the 'winner' of the transformation might be the carrier of an emphatic 'market ideology' because of their successful entrance into the western model. According to the data, a social differentiation of attitudes exists and

there are significant effects with regard to the income distribution, but also to the economic status. The groups depending on welfare transfers, foremost the retired, are by far the strongest supporters of governmental redistribution.

4 Conclusion

The insights which were pursued throughout this paper have focused on a combination of an institutional analysis of the British and the German welfare model with an analysis of the stances of public attitudes towards welfare issues. It was started with the assumption that a cost-benefit analysis of different welfare programmes does not enable a comprehensive understanding of the logic of social acceptance and support. Rather, it was emphasised that the institutional side consists of three components, namely the 'beneficial involvement', the 'return expectations' and the 'moral appraisal', which condition the social support and contain conflict. Subsequently, this perspective was adopted for framing and interpreting the patterns of public attitudes towards the British and the German welfare state with regard to spending for pensions and unemployment and the support for the policy objective of redistribution.

It was found that the British social attitudes are very much in favour of more spending for pensions, but less in the area of unemployment. High priority is given to benefits with a relatively symmetric risk structure which do not feed any suspicion, and to measures with a mainly horizontal or intertemporal redistribution of resources. Less political consent exists about issues beyond this agenda. Redistributive and socially biased measures such as unemployment benefits seem to be less supported by the wider public. With regard to these issues, the public support can not be taken for granted and there are significant sections of the population which take a stance against or favour austerity measures. The issue of redistribution is not very well entrenched, and we find large attitudinal differences between different income groups. It seems that there is a persistent link between public attitudes and socioeconomic status that can be related to a specific group involvement into the welfare schemes.

The German model suffers from a substantial East-West divide in terms of welfare dependency and welfare support. On the one hand, the unconditional absorption of the East German population has seriously threatened the viability of many well-entrenched welfare principles and thereby created a legitimacy problem for western social security contributors, but on the other hand there was a strong reliance on social transfers in the time of social upheaval in the East. With a social spending that peaked around 70 per cent of the East German GDP, it seems evident that a socially acceptable transformation would not have

been possible without the welfare state engagement. Many East Germans expect the state to intervene and to cushion the impact of the social transformation. This ‘etatist orientation’ (see Liebig/Wegener 1995) is apparent in the social policy fields of pensions, unemployment and redistribution. While the East Germans overwhelmingly demand and approve welfare state intervention, the West German public is much more reluctant to call for further expansion. A ‘status-quo mentality’ has become the dominant attitude of the majority, but there are also signs for a readiness to accept cuts in benefits. These are signs of a modest and sector-specific “demand flexibility” (Roller 1999, p. 37), due to a growing realism about what the welfare state can afford. Notwithstanding, the high support for the welfare state in the East makes substantial cuts politically costly and limits the scope of a welfare state reform. In their efforts to restructure the welfare state, politicians have demonstrated a high degree of awareness of what the public is ready to accept. If a structural detachment of the beneficiaries from the middle mass of contributors becomes more apparent, some types of benefits, especially minority and socially-biased benefits (e.g. unemployment benefit), might be prioritised by the general public when it comes to cost-containment measures.

Notes

- 1 This is in line with Papadakis' (1992, p. 37) discussion of the attitudes towards the welfare state where he concludes that "symbolic values and ethical concerns may be as salient or even more significant than a preoccupation with the maximization of income in shaping opinion about the welfare state."
- 2 The 'new institutionalists' have shed light on the relation between institutions and individuals by emphasising the two-way connectedness between institutions and individual orientations: "Opinions, interests, values, ideology, preferences, etc. – all influence institutions and policies. But policies and institutions also influence opinions, etc. (...) In a simplified form, the mental figure looks like this: institutions give rise to certain interests and norms, which in turn either reinforce or undermine the original institutions" (Rothstein 1998, p. 138). In this respect, it was acknowledged that institutions host and sustain self-interest motives alongside with moral motivations, whereby the institutions influence not only what actors find to be a rational course of action but also what is considered to be morally defensible or correct behaviour.
- 3 For reasons of measurement Esping-Andersen (1990) introduces a de-commodification score capturing old-age pensions, sickness benefits and unemployment insurance, their replacement rates and requirement qualifications.
- 4 Offe (1991) examines the employment-centered nature of the German security system. According to him, the system establishes a premium for all those who "lead an ordinary and orderly work life by 'earning' a full (and preferably uninterrupted) record" (p. 126). That is what he called the 'hidden curriculum' of the social security system.
- 5 In a number of programmatic elements of the German welfare system dependants can acquire entitlements through the breadwinners' contribution.
- 6 It is interesting to note that this morally undemanding institutional architecture has always been criticised by the Left. According to their view, the robust institutional structure built on the individual utility maximiser rather than the altruistic and compassionate individual has failed to live up to the promise of social justice, universality and a non-discriminating concept of social rights. Not only that the system has been accused of being incapacitating in terms of effective social protection, it was also assumed that it undermines forms of solidarity. The rational sources of support, to which the system appeals, represented a productivist approach to welfare provision, and excludes a legitimate agenda for redistributive issues (see also Offe 1991).
- 7 The East German tradition of a socialist and paternalistic social policy possessed some 'citizenship'-type welfare rights. It provided universal, but modest flat-rate benefits, universal health services and child services (kindergartens).
- 8 In the absence of a successful economical animation of the new Länder and effective growth-led solutions, the fiscal policy has introduced a tighter and more targeted approach towards social spending, especially in the areas of active employment policy and further education.
- 9 More than one fifth of the population relied on means-tested benefits in 1994 (Evans 1998, p. 303).
- 10 The East Germans were integrated into the pension insurance with some temporary deductions. Their entitlements are based on the same normative principle of 'past productivity' without having made the respective contributions to the pension fund. By this, the pension insurance became a major instrument for West-East transfers which were cushioning the impact of the social transformation in the East.
- 11 For the question of what motivates people to comply with and to support the system, a general 'risk aversion' could be seen as another factor since unemployment is virtually the only sector for which hardly any private welfare market exists.
- 12 Here one has to be aware that only parts of the unemployed are actual beneficiaries. Unfortunately, the data allow only a rough classification of contributors and beneficiaries.
- 13 It was easier to realise cutbacks in the level and scope of unemployment benefit than it was for the provision of health and pensions. Under the Conservative government, the real value of unemployment benefit dropped, but the value of the basic pension stayed much the same (Mulé 1999, p. 30). Similarly, against all odds of privatisation and due to its public support the NHS remained largely intact. The government, so it seems, implemented reforms where resistance was weakest and anti-welfare prejudices strongest.

- 14 Pierson (1994, p. 126) has pointed at the perceptible difference between poverty policies and redistribution. According to him, the popular opinion was quite concerned with the equity question of how to treat the poor fairly and took a critical stance against cuts in programs benefiting the poor. This forced the administration to retreat from a number of cutting proposals. Nevertheless, this does not suggest that “the fairness issue has prevented (...) government from pursuing sharply inegalitarian policies.” The redistribution issue was much less a matter of public discontent.

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