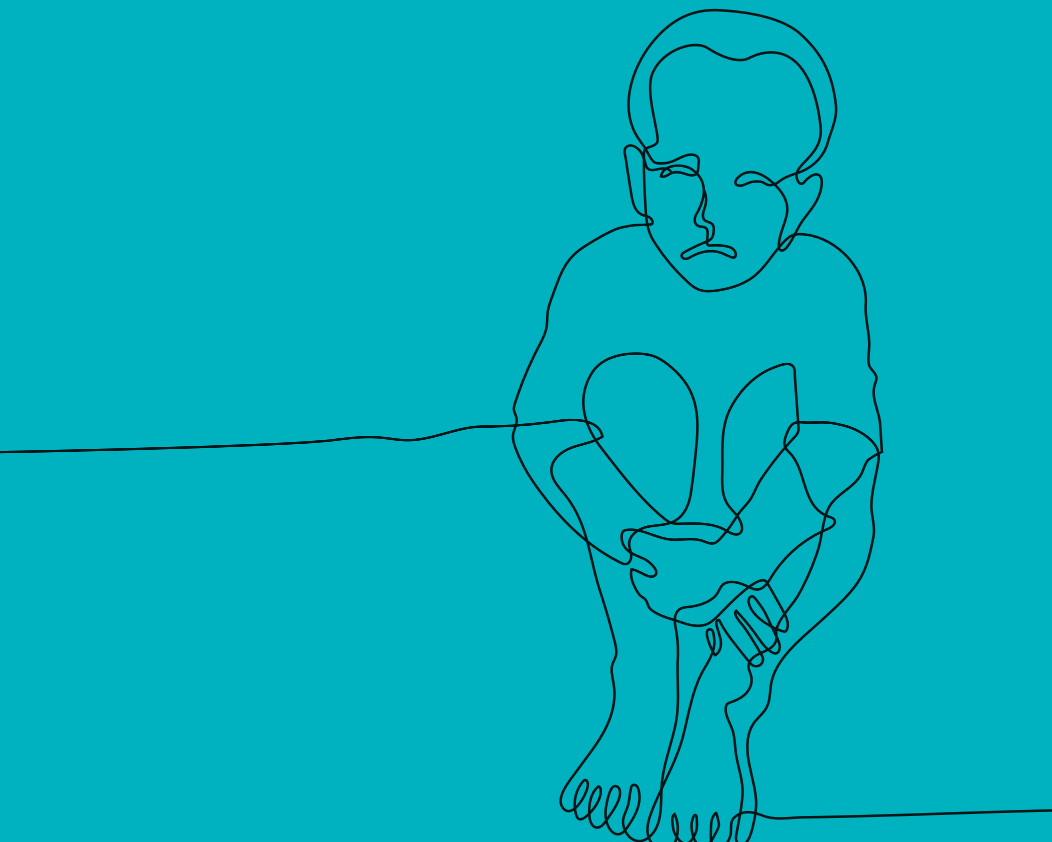
Carsten Jensen

Life Cycle Risks and the Politics of the Welfare State



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Contents

Foreword

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1. Carsten Jensen (2011). Marketization via compensation: health care and the politics of the right in advanced industrialized nations. *British Journal of Political Science*, *41*(4), 907-926.
2. Carsten Jensen (2012). Labour market- versus life course-related social policies: understanding cross-programme differences. *Journal of European Public Policy*, *19*(2), 275-291.
3. Carsten Jensen (2014). *The Right and the Welfare State*. New York and Oxford: Oxford University Press.

4. Christoph Arndt and Carsten Jensen (2017). Partivalg og holdninger til velfærdsstaten. In Kasper M. Hansen and Rune Stubager (eds.), *Oprør fra Udkanten: Folketingsvalget 2015*. Copenhagen: Djøf/Jurist- og Økonomforbundet, 245-263.
5. Carsten Jensen and Michael Bang Petersen (2017). The deservingness heuristic and the politics of health care. *American Journal of Political Science, 61*(1), 68-83.
6. Carsten Jensen, Christoph Arndt, Seonghui Lee, and Georg Wenzelburger (2018). Policy instruments and welfare state reform. *Journal of European Social Policy, 28*(2), 161-176.
7. Christoffer Green-Pedersen and Carsten Jensen (2019). Electoral Competition and the Welfare State. *West European Politics, 42*(4), 803-822.
8. Seonghui Lee, Carsten Jensen, Christoph Arndt, and Georg Wenzelburger (2019). Risky business? Welfare state reforms and government support in Britain and Denmark. *British Journal of Political Science*. Early view.

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Aarhus, July 2019

Chapter 1
Modernization, human biology, and a tale of two domains

The history of the welfare state begins with the industrial revolution. From the mid-19th century, Western societies began their momentous transformation from agricultural to industrial and, later, post-industrial economies. This process of modernization had two outcomes of particular interest to scholars of the welfare state. First, it commodified labor to an extent not seen before. Earning a wage income became essential for large segments of the populace. This, in turn, meant that losing one's job emerged as a serious risk. Without a job, poverty was a real threat for the new working class (Polyani 2001 [1944]; Wilensky and Lebeaux 1958). At the same time, commodification created the conditions for working-class mobilization and the subsequent political conflicts over society's material resources (Stephens 1979; Korpi 1983).

Second, modernization also created unprecedented wealth via rapid technological innovations and productivity growth. Over the course of the 20th century, Western societies became affluent, and part of their riches was spent to protect workers against the risks that modernization had created (Wilensky 1975). Workers became de-commodified, though to varying degrees depending on the strength and coalition opportunities of the parties and organizations advocating for their social rights. In some countries, de-commodification went a long way, and in others, less so. As time went by, these cross-national differences became institutionalized, effectively locking welfare states in on fairly rigid policy paths (Korpi 1989, 2006; Esping-Andersen 1990; Pierson 1994; van Kersbergen 1995; Huber and Stephens 2001; Iversen and Soskice 2009).

With the coming of the post-industrial economy, occupational structures changed and economies globalized, crafting new groups of (would-be) workers for whom the old welfare state institutions provided limited protection. Welfare state politics in the post-industrial era is about how best to deal with these new social risks. In the process, new coalitions have formed between social groups and their political representatives. The result has been a gradual transformation of job security regulation, unemployment benefit rules, and vocational training systems, as well as the expansion of leave policies and other rules meant to reconcile work and family life (Iversen and Wren 1998; Esping-Andersen 1999; Bonoli 2007; Emmenegger et al. 2012; Beramendi et al. 2015; Iversen and Soskice 2015).

In a nutshell, this is the politics of the welfare state as it has played itself out over the past more than one hundred years, or so the conventional wisdom would have it. The narrative overlooks one central fact. Modernization may have produced a set of labor market risks flowing from the commodification of the workforce in the 19th century; still, there exists a set of risks not created by modernization. These are risks caused by human biology and which threaten the physical integrity of an individual. These are *life cycle* risks.

Life cycle risks have a couple of features that make them categorically distinct from labor market risks. First, they existed long before modernization, although modernization has modified their concrete manifestation and the policies best suited to dealing with them. Second, while they may be risks people hope to avoid, they are at the same time part of almost everybody's expectation of a normal life: getting sick, getting old, dying. These life stages are simply part and parcel of the existence that most people want to live. They are, in a very fundamental way, facts of life. This is clearly not the case for labor market risks. Being unwillingly unemployed or underemployed is an anomaly to most people. Outside periods of massive downturns, being without work automatically means that you belong to a small minority. Contrary to the experience of life cycle risks, it is entirely possible to pass through one's time on Earth without being jobless or underemployed. Indeed, for most people, this is exactly what happens, give or take a few months after graduation or in between jobs.

In this thesis, I want to explore the politics of life cycle risks. My core claim is that because life cycle risks are a different type of risk from those of the labor market, the political dynamics surrounding them will be different too. The differences are apparent at all levels in the political process: from public preference formation over parties' efforts to maximize their vote share to public policy-making. Understanding the distinct political dynamics of life cycle and labor market risks, respectively, allows us to grasp several important empirical phenomena better: Why are some welfare programs much more—and much more universally—popular than others? Under what conditions will fiscal conservatives adopt a pro-welfare position? Why are some welfare programs characterized by a constant rise in public spending, while others have seen retrenchment?

These sorts of questions are vital for a research tradition that views the world through a very peculiar lens that, in some instances, disregards important variation and, in others, disregards equally important *in*variation. I argue that there is a big and politically salient variation between welfare programs aimed at life cycle and labor market risks, respectively. Health care and old age pensions are, for instance, systematically more popular and generously funded than unemployment protection and related labor market schemes, a difference that exists across the Western world. Most laypeople and scholars alike would, out of hand, agree with this observation, but we have no theoretical tools to understand why it exists.

Even more striking has been the neglect of invariation between countries regarding their management of life cycle risks. The welfare state literature is inherently comparative, meaning that it puts a heavy premium on cross-country variation. However, when it comes to life cycle risk protection, the similarities rather than the differences are what stand out. Extant research on old age pensions and health care is obsessed with institutional differences, of which there are many. Still, such institutional particularism has led to what Peter Baldwin aptly labels the narcissism of minor differences. What is amazing is not that affluent countries organize their life cycle risk protection in distinct ways, but that they all—without exception (and this includes the US)—prioritize this risk domain. From the perspective of human history, the mode of life cycle risk protection is much less important than the fact that there *is* life cycle risk protection.

Figure 1.1. The dual risk model of the welfare state

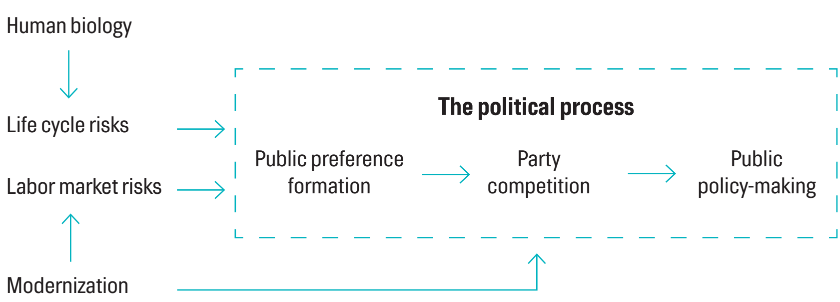

Figure 1.1 outlines the analytical framework of the thesis, which I call the *dual risk model of the welfare state*. In this stylized account, the political process is a product of the two primary sources of risks, namely human biology and modernization. Modernization is defined as the process of technological innovation and education of the workforce that, since the 19th century, has improved and to this day continues to improve both the physical and human capital of Western societies. As mentioned, modernization has two mostly unconnected effects. First is the creation of labor market risks—and with them working-class mobilization and class-based conflicts. Second is the secular rise in wealth and technological innovation. This latter effect plays equally important roles in the politics of life cycle and labor market risks, but in very diverse ways, as I will explain shortly.

In the dual risk model, the political process consists of a sequence of stages. The first stage is the preference formation of the public; the second stage sees parties compete for votes; and the third stage is public policy-making. In line with a huge body of research and in accordance with basic democratic ideals, I assume the political process to run "from the bottom up." This entails that public preferences causally affect party competition, which, in turn, affects public policy-making. Crucially, the previous stage does not *determine* the next. It is not possible to reduce public policies to the preferences of citizens or, for that matter, to the two underlying sources of risk. There are two reasons for this.