Stratification and the Welfare State

STEPHANIE MOLLER and JOYA MISRA

Abstract

The welfare state is one of the most important predictors of inequality cross-nationally, and research in this area is profuse. An expanding line of welfare state and stratification research focuses on the role of welfare states in addressing the needs created by increasing inequality, which has been generated by changing economic structures in the late twentieth and early twenty-first centuries. This essay discusses the welfare state in light of changing economic structures and politics to explain why some countries have attenuated the rise in inequality, while others (notably the United States) have not. It concludes with suggestions for further research.

INTRODUCTION

The term "welfare state" refers to the policies and programs within countries that are designed to provide for the social welfare of individuals and groups in society. Academic interest in the relationship between the welfare state and stratification is long-standing because a goal of the welfare state is lower stratification and inequality. Many welfare state policies help achieve this goal by redistributing income across households.

FOUNDATIONAL RESEARCH

Modern welfare state research is heavily influenced by classic theorists, including T. H. Marshall, Harold Wilensky, and Gøsta Esping-Andersen. Marshall argued that welfare rights, or social rights, occurred in the progression of citizenship, and after the development of civil and political rights. Wilensky explored the development of advanced, wealthy, capitalist democracies, arguing that welfare states occur in tandem with modernization. Following Marshall and Wilensky, early welfare state research explored how and why welfare states developed as they did, considering how variations in welfare state spending reflect differences in their political

Emerging Trends in the Social and Behavioral Sciences. Edited by Robert Scott and Stephen Kosslyn.
 ISBN 978-1-118-90077-2.

foundations. Gøsta Esping-Andersen's research asserted that there are important differences among welfare states, which reflect different historical origins, but emphasized that these differences continue to have crucial impacts on stratification in these countries. One of his key insights was that welfare states do not simply mediate inequality, but through their structures, maintain inequality. As a result, scholars have increasingly examined the relationship between welfare state policies and outcomes such as income inequality and poverty. More recently, scholars have taken a micro-level approach by examining individuals' incomes and risk of poverty in light of welfare state policies.

CUTTING-EDGE RESEARCH

The most interesting current research focuses on the role of welfare states in addressing the needs created by increasing inequality, which has been generated by changing economic structures in the late twentieth and early twenty-first centuries. Most countries in the European Union have attenuated the rise in inequality through the welfare state, while the United States has not followed this path. We highlight an important and developing strand of research, considering the role of globalization, economic restructuring, and wage levels in explaining how effectively welfare states address stratification.

Many factors are implicated for increasing inequality in advanced industrialized countries. These include demographic and human capital shifts in populations and, most importantly, changes in economic structures of countries. Four important, distinctive, yet interrelated components of these economic shifts are globalization, deindustrialization, postindustrialization, and the strength of labor unions. These economic shifts have helped exacerbate inequality in wages within and between countries.

Globalization reflects the movement of capital, human capital, information, and technology across nations. With globalization, inequality has increased because workers' power to negotiate wages is more limited. Globalization is also partially implicated (along with technological change) in the movement of advanced economies from industrial to postindustrial societies. The postindustrial economy is service-intensive and is characterized by a decline in low-skilled, manufacturing jobs (a trend known as deindustrialization) and a movement toward service oriented jobs (i.e., postindustrial jobs). Postindustrialization generates greater inequality because job quality and rewards are polarized. Some service jobs are knowledge- and skill-intensive and provide an increasing wage premium for education. These jobs are often found in financial services industries; the expansion of these industries (known as financialization of the economy) is associated with expanding inequality. Other service jobs require little to no skill and hence provide very low wages. Many lower skilled workers are employed in part time and temporary employment which may fail to generate livable wages.

Wage levels, of course, reflect policies aimed at protecting minimum wages. Countries with lower minimum wages have higher numbers of working poor. There has been intense debate over the utility of the minimum wage, as some scholars argue that it creates higher unemployment and hence greater inequality, particularly for young workers who often earn low wages. Others contend that the minimum wage enhances the market position of the lowest income earners, and this effect trickles up, increasing the wages of middle income earners. Cross-nationally, scholars have found that inequality is lower overall when minimum wages are set at higher levels.

Researchers have also established that the shift to a postindustrial, service-oriented economy, has altered the structure of welfare states. Since the 1990s, the European Union and its member states have embraced the concept of flexicurity, where economic flexibility and worker security are simultaneously embraced. Flexicurity responds to the demands of globalization by offering employers greater flexibility to hire and fire workers. The downside of flexibility is that it creates job insecurity and income insecurity for workers. Many European Union countries have addressed the need for security through welfare states that provide generous unemployment benefits and other sources of financial support, including cash allowances to families with children. The final and vital component of flexicurity is active labor market policy where unemployed workers are taught new skills for jobs—often postindustrial—created by the changing global economy. Together, these policies have allowed EU countries to adjust to the needs of globalizing economies without undermining worker security or exacerbating inequality. Thus, the twenty-first century European welfare state emphasizes the importance of labor policy and social welfare policies, working in tandem to reduce inequality.

The United States, on the other hand, is exceptional because it has not tempered the rise in inequality, and continues to have a fairly meager welfare state. When only looking at wages, the United States' levels of inequality are only slightly higher than other advanced industrialized countries; trends in rising inequality since the mid-twentieth century are also remarkably comparable across countries. Yet, when we take taxes and transfers into account, the United States stands out as having exceptionally high levels of inequality; other welfare states are much more successful at mediating inequality. United States' exceptionalism reflects the foundation of free market capitalism on which its policies are built. The United States offers limited security through meager welfare state programs, in large part because these programs are perceived to reduce work attachment and undermine the free functioning of the economy. While countries in the European Union aim to limit inequality via a socially responsible capitalist welfare state, the United States maintains a free-market capitalist welfare state.

To reiterate some of the key points established by the literature, one of the most important determinants of inequality is the size and scope of the welfare state. When researchers only examine market-based inequality (i.e., inequality based on wages, salary, and wealth income alone), the variability in inequality is substantially more muted cross-nationally than when researchers examine post-tax-and-transfer inequality (i.e., inequality based on both market-based income and income generated from welfare state programs, such as social insurance or welfare benefits). Market-based inequality has increased in most advanced industrialized countries since the middle twentieth century, in part due to shifting economic structures, but most countries have tempered this rise through social welfare and labor policies. Finally, the United States is exceptional in that the size and scope of the welfare state is minimalist and it has not tempered the rise in inequality at the same rate as other advanced industrialized countries.

What explains the exceptional US welfare state? The answer is found in politics: both due to a weakness of labor and racial fissures. In stark contrast to many European countries, the United States has a weak working class (as signified through the weak and declining power of unions) and a nonexistent working class party. The centrist Democratic Party has faced a history of racial conflict that trumped class conflict, and as a result, class-based preferences have not dominated the agenda of this party. Martin Gilens illustrated in his seminal study on citizen preferences and policy outcomes that the poor and middle classes in the United States are politically feeble as their policy preferences are rarely implemented when they conflict with the preferences of the affluent. This stands in stark contrast to corporatist countries such as Sweden, Norway, and Germany, where the state, labor, and businesses work together to develop social policies and programs to benefit all. While not a new difference—members of the European Union have a long history of socially responsible capitalism while the United States has a history of free market capitalism—this has led to a dissimilar response to the economic restructuring of the late twentieth and early twenty-first centuries. The European Union's movement toward flexicurity is a logical step in policy development. Such a step would be radical in the United States given its historical policy path of economic flexibility without social welfare security.

This does not mean that the United States lacks constituencies that value equality. In fact, the Occupy Wall Street movement has served as a public outcry against rising inequality both economically and politically. While academic research on the effectiveness of Occupy Wall Street is pending, some journalists suggest the movement influenced President Obama's 2012 reelection campaign. Yet, prior research suggests that any progress may be temporary. Indeed, one of the largest social movements in the United States historically was the Civil Rights movement, which generated great strides in the reduction of discrimination. However, Kevin Stainback and Donald Tomaskovic-Devey found that, despite clear antidiscrimination laws and regulation being adopted, there has been little progress since the 1980s because the movement subsided and the enforcement of laws have not been effectively funded. Continued progress likely requires an institutionalized political party representing the interests of labor.

KEY ISSUES FOR FUTURE RESEARCH

Research on the relationship between the welfare state and stratification suggests that politics is central to both the development of the welfare state, and its ongoing role in mediating or entrenching inequality. While cutting-edge research has explored how welfare states change, in response to globalization and changing economic structures, future research will need to continue to explore the potential for changing welfare state structures, and how these changes reflect and reshape inequality.

Researchers also need to more fully investigate how structures interact to shape overall levels of inequality. Research questions could include how effective are welfare states in light of the broader economic structure? Are similar welfare states differentially effective? While it is well established that components of the political structure (e.g., left party control and veto points) is an important determinant of the welfare state, it is less well understood whether political structures interact with economic structures to alter welfare state effectiveness. Researchers do not yet understand how structures interact, and it is important theoretically and practically to expand this line of research.

Existing welfare state research has primarily been carried out by sociologists, historians, economists, and political scientists; future research may require scholars working across these disciplinary divides. For example, economists and sociologists may theorize and model the relationship between welfare state policies and stratification differently—yet should and can learn from one another to advance understanding of these relationships. Methodologically, while welfare state studies have historically included both quantitative and comparative historical methods, future welfare state studies are moving into the direction of somewhat more sophisticated methodologies (e.g., multilevel modeling). These new methods have allowed researchers to establish that welfare state structures may benefit some groups, sometimes at the expense of others. This line of research needs to be more fully explored to allow policymakers to understand the most effective compilation of policies to minimize inequality. Welfare state research is increasingly including additional cases, outside of the "advanced welfare states." Cutting-edge research on welfare states explores policies in wealthier countries in Eastern Europe, Asia, Latin America, and the Middle East. Future research should aim to understand the social welfare states that exist in less wealthy countries in Latin America, Asia, and Africa. One of the lessons from wealthy welfare states is that labor policy and social welfare policy may need to be calibrated, to ensure flexibility in an age of globalization and deindustrialization. Welfare state scholars may be able to provide better blueprints for the most effective policies aimed at economic development and protecting against inequality. Yet, to do so effectively, such work must be grounded in historical narratives and understanding of these cases—just as the best work on Western European welfare states has required.

Another exciting new avenue for welfare state research is in exploring variation in how welfare states operate in a globalized world with different levels of citizenship. For example, welfare states may provide different levels of benefits and services for native-born citizens, naturalized citizens, documented immigrants, and undocumented immigrants. Similarly, native-born workers working inside or outside of "free trade zones," may have different levels of rights as workers and citizens. Emigrants may also hold different citizenship rights, for example, as "overseas citizens" of their homeland. Understanding how citizenship is parsed in welfare states—and the impact of these processes for inequality—will open up new avenues of welfare state research.

FURTHER READING

Bradley, D., Huber, E., Moller, S., Nielsen, F., & Stephens, J. D. (2003). Distribution and redistribution in postindustrial democracies. *World Politics*, *55*(2), 193–228.

Brady, D., Beckfield, J., & Zhao, W. (2007). The consequences of economic globalization for affluent democracies. *Annual Review of Sociology*, *33*, 313–334.

Castles, S., & Davidson, A. (2000). *Citizenship and migration: Globalization and the politics of belonging*. New York, NY: Routledge Press.

Esping-Andersen, G. (1990). *The three worlds of welfare capitalism*. Princeton, NJ: Princeton University Press.

Gilens, M. (2012). *Affluence and influence: Economic inequality and political power in America*. Princeton, NJ: Princeton University Press.

Kenworthy, L. (2004). *Egalitarian capitalism: Jobs, incomes, and growth in affluent countries*. New York, NY: Russell Sage.

Marshall, T. H. (1950). *Citizenship and social class and other essays*. Cambridge, England: Cambridge University Press.

Misra, J., Moller, S., Strader, E., & Wemlinger, E. (2012). Family policies, employment and poverty among partnered and single mothers. *Research in Social Stratification and Mobility*, *30*(1), 113–128.

Stainback, K., & Tomaskovic-Devey, D. (2012). *Documenting desegregation: Racial and gender segregation in private-sector employment since the civil rights act*. New York, NY: Russell Sage.

Western, B., Bloome, D., Sosnaud, B., & Tach, L. (2012). Economic insecurity and social stratification. *Annual Review of Sociology*, *38*, 341–359.

Wilensky, H. (1975). *The welfare state and equality*. Berkeley: University of California Press.

STEPHANIE MOLLER SHORT BIOGRAPHY

Stephanie Moller is Professor of Sociology and Public Policy at the University of North Carolina at Charlotte and editor of *Social Science Research*. She conducts research on welfare states and inequality cross-nationally and in the United States. She has authored or coauthored papers in this area for *American Sociological Review*, *American Journal of Sociology*, *Gender & Society*, *Social Forces*, *Research in Social Stratification and Mobility*, and *World Politics*. More information is available at http://clas-pages.uncc.edu/stephaniemoller/

JOYA MISRA SHORT BIOGRAPHY

Joya Misra is Professor of Sociology and Public Policy at the University of Massachusetts, Amherst and editor of *Gender & Society*. Professor Misra's research primarily seeks to understand why poverty and labor market inequalities differ across countries and over time, by examining how different policies, political parties, social movements, and cultural contexts lead to a variety of outcomes. Her work has appeared in the *American Sociological Review*, *American Journal of Sociology*, *Gender & Society*, *Research in Social Stratification and Mobility*, *Social Problems*, and numerous other professional journals and edited volumes. More information is available at: http://people.umass.edu/misra/Joya_Misra/Index.html.

RELATED ESSAYS

Domestic Politics of Trade Policy *(Political Science)*, Michaël Aklin *et al*.
Mediation in International Conflicts *(Political Science)*, Kyle Beardsley and Nathan Danneman
Neoliberalism *(Sociology)*, Miguel Angel Centeno and Joseph N. Cohen
Elites *(Sociology)*, Johan S. G. Chu and Mark S. Mizruchi
The State and Development *(Sociology)*, Samuel Cohn

Intergenerational Mobility *(Economics)*, Steve N. Durlauf and Irina Shaorshadze
Stratification in Hard Times *(Sociology)*, Markus Gangl
Social Class and Parental Investment in Children *(Sociology)*, Anne H. Gauthier
Varieties of Capitalism *(Political Science)*, Peter A. Hall
States and Nationalism *(Anthropology)*, Michael Herzfeld
The Emerging Psychology of Social Class *(Psychology)*, Michael W. Kraus
Education for Mobility or Status Reproduction? *(Sociology)*, Karyn Lacy
Why Do States Sign Alliances? *(Political Science)*, Brett Ashley Leeds
Domestic Political Institutions and Alliance Politics *(Political Science)*, Michaela Mattes
Why Do Governments Abuse Human Rights? *(Political Science)*, Will H. Moore and Ryan M. Welch
The New Political Economy of Colonialism *(Political Science)*, Thomas B. Pepinsky
The Welfare State in Comparative Perspective *(Sociology)*, Jill Quadagno *et al*.
Impact of Limited Education on Employment Prospects in Advanced Economies *(Sociology)*, Heike Solga
The Future of Class Analyses in American Politics *(Political Science)*, Jeffrey M. Stonecash
Trends in the Analysis of Interstate Rivalries *(Political Science)*, William R. Thompson
Postsocialism *(Anthropology)*, Elizabeth Cullen Dunn and Katherine Verdery
Trends in the Analysis of Interstate Rivalries *(Political Science)*, William R. Thompson
Constitutionalism *(Political Science)*, Keith E. Whittington