

Sustainable Welfare and Sustainable Growth – towards a new social settlement in Germany and the UK?

Welfare states play a crucial role in ensuring that growth is both economically and socially sustainable – not only by contributing to a healthier and more educated population, but also by influencing life chances and opportunity structures, by supporting socially disadvantaged groups, and by helping to maintain social solidarity during rapid societal change.

The European Union aims to become the most competitive and knowledge-based economy in the world, and this will inevitably lead to a desire for a degree of uniformity in approach to welfare provision. This report investigates the underlying attitudes towards, and the practical implementation of, welfare policies in Germany and the United Kingdom. Despite some similarities, it is the differences in both attitudes and implementation between the two countries that are most striking.

The results of this study will be valuable to policy-makers and decision-takers within the individual countries, in the European Union and globally.

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Sustainable Welfare and Sustainable Growth – towards a new social settlement in Germany and the UK?

Jochen Clasen

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Note on Contributors

Chapter 1 of this report was researched and written by Christoph Burkhardt, Steffen Mau and Peter Taylor-Gooby; chapter 2 by Mary Daly, Sigrid Leitner and Martin Seeleib-Kaiser; and chapter 3 by Paul Bridgen, Traute Meyer, Barbara Riedmüller and Michaela Willert. Jochen Clasen has coordinated this *csg*e research programme and the text of this report. (See also the list of projects and researchers on pages 45–46.)

Foreword

For over 35 years, the Anglo-German Foundation for the Study of Industrial Society has promoted study and discussion of the processes of wealth generation and social development in the United Kingdom and Germany. Over this time, it has made a significant contribution to our understanding of modern industrial society, and has been instrumental in establishing focused comparative research as an essential component of evidence-based policy development.

Towards the end of 2004, the Foundation's Trustees recognised a need to draw together the various strands of work funded over the preceding three decades. They were increasingly concerned that the traditional organisation of research into distinct academic disciplines and associated policy domains was leading to a damaging compartmentalisation in government, so that policies adopted by one department often ran counter to the objectives of policy in other departments. The pressing need, the Trustees believed, was for a broader, more integrative approach, rather than for ever more detailed and specialised knowledge.

The Foundation therefore decided to launch a major project designed to counter-act that tendency while building on the comparative knowledge and expert networks established in its traditional priority areas. The title of the new initiative – *creating sustainable growth in europe* – confronts the central challenge facing both countries over the coming decades: how to reconcile the desire for growth with environmental and social sustainability.

An international Academic Advisory Board was convened under the chairmanship of Professor Sir Tony Atkinson, the distinguished economist and former Warden of Nuffield College Oxford, to advise the Foundation on the structure and content of the initiative. It was decided that the research should be organised in linked but largely autonomous programmes, each addressing one or more core themes within the general topic. The themes chosen were:

- innovation, productivity and growth
- environment and resources
- welfare, employment and social justice.

The initiative was formally launched in spring 2005 with a call for proposals. The research communities in Germany and the UK were invited to submit bids for programmes lasting up to three years and addressing one or more of the three core themes. The budget for the initiative was over £4 million. At the end of a rigorous selection process, the Foundation awarded grants to four programmes:

- Explaining Productivity and Growth in Europe, America and Asia (based mainly at LSE London, ZEW Mannheim and LMU Munich, and led by Professor Tobias Kretschmer, Ludwig-Maximilians-Universität Munich)
- Resource Productivity, Environmental Tax Reform and Sustainable Growth in Europe (based at six centres: King's College London (KCL); GWS Osnabrück; FU Berlin; Cambridge Econometrics; the University of Economics, Prague; and SERI, Vienna, and led by Professor Paul Ekins, then at KCL, now at University College London)
- The Economics and Politics of Employment, Migration and Social Justice (based at WZB Berlin, the Universities of Frankfurt and Hannover, and UCL and LSE London, and led by Professor Christian Dustmann, University College London)
- Sustainable Welfare and Sustainable Growth (based at Queen's University Belfast and FU Berlin and the Universities of Bremen, Edinburgh, Göttingen, Kent, Oxford and Southampton, and led by Professor Jochen Clasen, University of Edinburgh).

Meeting the challenge of sustainability will require far-reaching changes in institutions, processes and lifestyles. In launching its initiative, the Foundation wished to demonstrate the key role research could play in defining those changes and in identifying a fair division of the costs and burdens they would impose. Behind the innovative structure of the initiative lay the intention that each programme's distinctive contribution to knowledge and policy within its own academic and political area would be informed by contact with ideas and approaches from other disciplines and policy domains; and that the four programmes when viewed as a whole would add up to more than the sum of their parts. Their contribution would extend to how policy-makers think of their task – the breadth of data and knowledge to be drawn upon, and the nature and range of the implications to be considered.

The economic and political assumptions prevalent when *creating sustainable growth in europe* was launched have now been severely shaken. Many commentators argue that the present unprecedented conjuncture of financial, economic and ecological crises represents a crucial moment in the trajectory of capitalism. Many also argue that these crises represent an urgent call, and also a unique opportunity, for systemic rethinking, of a kind that happens only once in a generation. The findings of *creating sustainable growth in europe*, as summarised in the Foundation's series of four reports and in the accompanying set of *Reflections* by Tony Atkinson, are thus even more relevant and urgent than was originally foreseen. Taken together, they represent the essence of a generation's work by the founders, Trustees, staff and researchers associated with the Anglo-German Foundation, and the key component of its legacy.

Ray Cunningham
Director, Anglo-German Foundation
September 2009

Executive Summary

Welfare states play a crucial role in ensuring that growth is both economically and socially sustainable – not only by contributing to a healthier and more educated population, but also by influencing life chances and opportunity structures, by supporting socially disadvantaged groups, and by helping to maintain social solidarity in the face of rapid societal change.

However, the sustainability of traditional welfare state arrangements in developed countries has become increasingly questionable. Economic internationalisation poses employment problems; post-industrial labour markets imply a lower potential for productivity gains; and demographic challenges, low economic growth and high levels of labour market inactivity undermine welfare state resources.

Clearly, changes are required. But reforms and policy changes to existing welfare systems will not succeed without the support of the populations they serve. An understanding of the population's prevailing attitudes to social justice is therefore essential to everyone involved in policy development and implementation.

The European Union aims to become the most competitive and knowledge-based economy in the world, and this will inevitably lead to a desire for a degree of uniformity in approach to welfare provision. This project, which ran from autumn 2006 to summer 2008, set out to investigate the underlying attitudes towards, and the practical implementation of, welfare policies in two of the EU's most-developed and outwardly similar welfare states – Germany and the United Kingdom; it focused in particular on the increasingly important areas of family policy and pensions policy.

While some similarities are clear, the differences in both attitudes and implementation across the two countries are striking; and the results of this study will be equally valuable to policy-writers and decision-makers within the individual countries, at the EU level and, indeed, globally.

Attitudes to social justice

Analysis of well-known and respected survey data revealed that, despite differences in social protection arrangements, people in the two countries share remarkably similar attitudes towards inequality and poverty. Moreover, they tend to share the same views about the desirability of government action to address those problems: large majorities in both countries regard inequality as a problem; smaller majorities think government should do

something about it; and a smaller (but still substantial) group want their governments to redistribute to the poor.

In other areas, however, attitudes diverge. Overall, Germans tend to disapprove of the idea that market freedoms enable the better off to buy better healthcare or education, whereas in the UK such advantages were (at the time of this study) regarded as perfectly acceptable. However, opinions gathered via focus groups in each country did reveal certain similarities about fairness and social provision. For example, in both countries there is a strong emphasis on equality of opportunity as a major objective, as well as an emphasis on work as the way of contributing to society and expressing individual citizenship obligations.

Overall, in Germany, focus group participants emphasised that the government should take on the role of helping more vulnerable groups to access employment; while in the UK participants regarded the role of government as one of regulating welfare so as not to undermine the individual's commitment to take responsibility for themselves.

The level of 'solidarity' felt by a population is important because that will underpin the government's ability to implement a wide range of social policies. A significant finding of this part of the study was that, contrary to evidence in the existing literature, high immigration rates and increasing ethnic diversity are not necessarily responsible for a decline in overall solidarity. The study did find that ethnic diversity has a negative effect on both support for welfare state redistribution and support for inclusion of foreigners – but this effect was rather weak.

Attitudes towards migration did diverge along what could be regarded as 'historical' lines. German participants did not view foreigners as a major problem, and instead regarded migration as a necessary side-effect of globalisation and 'Europeanisation'; while in the UK, an ethnic threat was expressed by almost all focus groups, but this tended to apply specifically to recent migrants, who were seen as overwhelming in number.

A majority of participants in the focus groups from both countries expressed a preference for a restriction on immigration, including the implementation of rules limiting immigration to groups who are economically desirable and for whom labour market needs exist.

The rise of family-oriented policies

There have been significant reforms in family-related policies in both countries in the past 10 to 20 years. Whereas in the past the primary concern was whether existing financing structures would be viable under likely future conditions (such as rapidly ageing societies and ever more globalised 'national' economies), more recent policy debates have highlighted the need to improve child welfare and engineer a more viable work-life balance.

However, recent reforms have focused on 'policies for children', 'policies for parents' and so on, instead of regarding 'family' as a legitimate policy domain.

One of the key findings of this study is that cultural and institutional heritages shape the content as well as the implementation of new family policies. For example, Children's Centres in England are to be found mainly in socially deprived areas, while German Familienzentren are geographically more dispersed and include lower, middle and upper class areas. The observation that cultural and institutional legacies shape the implementation of social investment policies is a potentially valuable lesson for other European countries.

This study found evidence that company-level family policies can significantly contribute to increased sustainability at the micro- (companies and families) and macro- (economic and societal) level. This finding could also be useful for policy-makers who wish to encourage the introduction of company-level family policies – given the global nature of many major companies.

Furthermore, it is interesting to note that this study found that, contrary to existing literature, family-friendly policies are more common at workplaces where high-level general skills are required, rather than in companies that predominantly rely on industry-specific skills.

As high-level general skills increasingly become a core feature of knowledge-driven economies, and as the gap between supply and demand for workers with these skills continues to widen, employers requiring high general skills might in the future become protagonists for public provision of family policies, because their reliance on the male breadwinner model will ultimately become obsolete.

The sustainability of public/private pension regimes

Securing pensions for ageing populations is a key responsibility for societies globally, but increasing longevity, declining fertility rates and changing economies have put pressure on states, employers, insurers and individuals, leading to pension reforms in many developed industrial countries. The prevailing view is that multi-pillar pension regimes with strong, privately funded components are more appropriate than unfunded public systems – a view that is widely supported by governments, the EU and international organisations. However, this study raises doubts about the future success of the multi-pillar approach.

Part of the project investigated the likely future performance of the systems on offer today by using micro-simulations of the public and private benefits that would be available to various hypothetical citizens who started work at the beginning of the millennium.

The simulations demonstrated that most individuals with a pension who are above the 'social inclusion' line are members of occupational schemes. The results also suggest that

recent pension developments have created a system in which the risk of social exclusion is high for many citizens with average earnings. In addition, there are inequalities of pension outcome due to differences of availability and quality of pension schemes for employees with the same socio-economic characteristics.

The simulations, coupled with other data analysis techniques, also demonstrated that personal savings schemes are not effective in helping to protect those who need such protection most, despite such schemes being supported by governments. The take-up of the British Stakeholder schemes (directed mainly at the lower-paid) has been minimal; and in Germany the use of voluntary and subsidised Riester pensions has increased in recent years, but mainly by those on higher wages. Indeed, in both countries, contributions to personal schemes have been too low to create widespread adequate cover.

Further analysis revealed that:

- the risk of social exclusion in retirement for the current young generation is significant in both countries;
- pension outcomes are quite unequal: the better educated and those with uninterrupted employment careers, mostly men, accrue higher benefits due to higher contributions;
- inequalities of pension outcome also reflect variation in scheme quality both across sectors and between employers — individuals with identical lifetime incomes can accrue very different pension benefits.

In-depth interviews with employers and insurers, which were part of this study, also revealed some important clues for governments wishing to encourage more occupational pension schemes:

- occupational pensions are still an important tool for human resource management;
- companies seek 'safety in crowds' i.e. many businesses are reluctant to be pioneers of retrenchment, fearing negative public exposure such behaviour could bring, suggesting that change can spread across sectors quickly once it starts, but also that companies will reconsider reform, if these could expose them to pressure;
- many companies believe that government regulation and the International Accountancy Standards Board increase costs and limit control over occupational pensions because both emphasise short-term costs over other considerations.

Against this background, policy-makers should note that large companies reliant on a skilled workforce maintain an interest in occupational pensions, even under very difficult conditions. However, if policy-makers want to support private engagement on a voluntary basis, ever tighter regulation is not the way forward. A more socially inclusive solution would be to limit regulation of private actors, allowing them more flexibility, and instead to institutionalise non-means-tested public pensions that protect citizens against poverty.

Political implications

It is worth reiterating that political legitimacy, trust in government, and political stability remain inextricably linked to support for state intervention. Furthermore, it is interesting to note – in these difficult economic times – that findings from the focus groups suggest that programmes of welfare state modernisation do not damage legitimacy, provided that they are seen to have positive effects, such as the enhancement of opportunities. However, simple reliance on ‘negative activation’ (which is the ideal typical liberal regime) is likely to have the reverse effect.

This is a significant issue at a time when governments are likely to be compelled to enact unpopular measures to deal with public debt resulting from the banking rescues and stimulation packages of 2008–09, and will need to draw on reserves of public confidence to do so.

1 Shifting Paradigms of Social Justice

The European Union aims to become the most competitive and knowledge-based economy in the world (EU, 2008). Welfare states play a crucial role in ensuring that growth is both economically and socially sustainable – not only by contributing to a healthier and more educated population, but also by influencing life chances and opportunity structures, supporting socially disadvantaged groups, and helping to maintain social solidarity in the face of rapid societal change.

Even before the financial crisis and severe economic downturn which began in 2008, however, the sustainability of traditional welfare state arrangements had become increasingly questionable for a number of reasons: economic internationalisation poses employment problems; post-industrial labour markets imply a lower potential for productivity gains; and demographic challenges, low economic growth and high levels of labour market inactivity undermine welfare state resources.

The research reported in this chapter emerged from the hypothesis that the long-term goals of welfare state intervention have moved up the policy-making agenda. Increasingly, attention is turning towards future-oriented criteria such as the enhancement of human and social capital, the impact of welfare on work incentives, individual conceptions of responsibility, and the management of an increasingly diverse population (Esping-Andersen et al., 2002). However, social protection systems or welfare states can only succeed if there is broad agreement on their fairness within the populations they serve. If reforms and policy changes to existing welfare systems are to be accepted or even supported, it is essential to understand the population's prevailing attitudes to social justice.

This chapter reports on investigations into attitudes to social justice in Germany and the UK, with the emphasis on publicly provided welfare services and benefits. Several questions were posed:

- what conceptions of social justice correspond to the traditional welfare state models in Germany and the UK?
- how have those models changed in recent years, and to what extent do attitudes to social justice correspond to these changes?
- how are the new key themes in welfare reform viewed and discussed by ordinary citizens?

In order to answer these questions, the research team analysed both quantitative and qualitative data from surveys and focus group interviews respectively.

A primary source of quantitative data was the British Social Attitudes survey, which is an annual study of the social attitudes of UK citizens. Unfortunately there is no comparable

annual survey in Germany, so the professional survey organisation IPSOS was commissioned to conduct a telephone-based survey of 1000 German citizens, based on questions similar to those in the BSA, in spring 2007. In addition, data from the European Social Survey (2002/2003) was used to review the relationship between ethnic diversity and welfare support.

In addition, more in-depth information about attitudes to social justice was obtained from a series of qualitative focus group interviews, which were conducted in January 2008 in large cities in the UK and Germany. The focus groups (averaging ten participants per group) were organised to reflect the particular national profiles in terms of age, sex, race and ethnicity, as well as economic status. The latter was assessed by reference to the participants' current occupations, taking account of education, training, and amount of responsibility, and then categorised as either 'routine' or 'non-routine'. (Further details of the focus groups' structure are provided on pages 49–50.)

This chapter presents the main findings on attitudes towards public and private forms of welfare provision in Germany and the UK, and then reviews respective attitudes towards migration and ethnic minorities in these two countries.

Attitudes to welfare provision

Germany and the UK have often been portrayed as representing two distinct European 'worlds of welfare capitalism' (Clasen, 2005):

- In the UK, the welfare system places an emphasis on poverty alleviation, within largely deregulated and flexible labour markets and a strong reliance on market coordination.
- In Germany, earnings-related social insurance transfers aimed at income maintenance are dominant, the labour market is more regulated, and corporatist coordination complements market relations.

In essence, the slowly-changing Bismarckian social insurance settlement in Germany and the Beveridgean basic security settlement in the UK lie at opposite ends of the spectrum of European welfare states, and marked differences between national welfare arrangements remain. However, both Germany and the UK have introduced reforms in order to enhance the sustainability and adaptability of their welfare systems.

In Germany, for example, the new unemployment assistance benefit no longer aims to cover the regular outgoings of formerly employed workers, but is offered at a basic level – the intention being to encourage people back into paid employment as quickly as possible. In the field of public pensions (see also Chapter 3), the income replacement rate has been reduced and the retirement age has been raised from 65 to 67. In the area of health, cost-containment measures have been introduced and people covered by the

statutory health insurance now have to pay a greater share for medical treatment and medication out of their own pockets.

In the UK, a series of reforms under the Conservative governments (1979–1997) weakened benefit rights, cut income replacement rates, and eroded insurance-based benefit support. From 1997 onwards the New Labour Government retained the main features of these reforms, while strengthening in-work benefits and support (Tax Credit and Minimum Wage) in order to ‘make work pay’, and provided enhanced encouragement for claimers to move into paid employment (a trend known as ‘activation’). Policies in the first decade of the 21st century continued to strengthen the ‘work first’ logic. As summarised by the UK Government: ‘These reforms offer a vision of a fairer welfare system where truly no one is written off, where nearly everyone is preparing or looking for work, where everyone is treated as an individual and gets the support they need.’ (DWP, 2008a: 8)

In the light of these reforms, the quantitative data sets were analysed to assess attitudes to welfare policies in both countries. Interestingly, the results indicate that there is stronger support for state interventions such as income redistribution in Germany than in the UK. However, there is a slight shift in attitudes in both countries. For example, British citizens have become less likely to express concerns about poverty and inequality; while in Germany the awareness of inequality has decreased since the late 1990s. The acceptance of private contributions and adopting greater individual responsibility for social protection are issues which seem to have moved up the popular agenda.

These attitudes could be taken as indicators for changing social attitudes due to certain policy shifts and welfare reforms in the recent past. Comparing survey data from the British Social Attitudes survey for the UK with the Justice in the Welfare State survey for Germany, shown in Table 1.1, reveals whether these findings actually hold, and whether attitudes to social justice have changed as a consequence of welfare reforms.

Table 1.1
Attitudes to welfare (agreement in %)

	Germany	United Kingdom
Income differences in Germany/UK are too large	81	76
Government should reduce income differences	58	63
Government should spend more on the poor	38	36
It is right that people with higher incomes:		
• are allowed to buy better health	18	48*
... not right...	75	24
• are allowed to buy better education for their children	12	50*
... not right ...	79	24

Note: Data is for 2006 in the UK and 2007 in Germany; * data for 2004

Despite differences in social protection arrangements, people in the two countries share remarkably similar attitudes towards inequality and poverty. Moreover, they do not significantly differ over the desirability of government action to address those problems. Large majorities regard inequality as a problem; smaller majorities think government should do something about it; and a smaller (but still substantial) group want their governments to redistribute to the poor.

In all of these respects citizens in corporatist-conservative Germany do not seem to fall in line with the principle of the welfare state maintaining given status and earnings differentials; while citizens of the market-centred UK appear to support interventions aimed at moderating market outcomes.

In other areas, however, attitudes correspond more closely to the respective welfare regime model (see the lower part of Table 1.1). In Germany the idea that market freedoms enable the better off to buy better healthcare or education is viewed with disapproval (by more than three-quarters of respondents). In contrast, in the UK such advantages are regarded as perfectly acceptable – with only around one-quarter of respondents disapproving of this concept. This quantitative study was conducted in 2007/8 and is based on data gathered since 2004, so it is not possible to conclude whether these attitudes are now changing in the light of the current recession.

Qualitative data from focus groups, however, did reveal certain similarities with regard to the respective discourse about fairness and social provision. For example, in both countries there is a strong emphasis on equality of opportunity as a major objective, as well as an emphasis on work as the way of contributing to society and expressing individual citizenship obligations. However, there are differences in the ways in which these notions are understood.

German participants make a much closer link between equal outcomes in the core areas of social provision and the extent to which people from different backgrounds have equal opportunities in practice. This can be illustrated by the following quote from a participant of a German focus group (male, aged 48; routine occupation). When asked what he understands by the term 'fair society' he answered: 'One point is equality of opportunity and the possibility of having a social basis; that the government provides support if someone is in need of help; that you have the possibility to work your way up again. But also to receive help to help yourself, a service that needs to be structured accordingly. And of course a decent system of healthcare that just needs to be there to have a social foundation in a fair state.'

British citizens, on the other hand, tend to acknowledge and regret social inequalities in life-chances, but nevertheless take a firm view that individuals are able to overcome such obstacles as long as they are sufficiently determined.

In Germany, the idea of 'contributing to society' is much more likely to be understood within the logic of social insurance – making financial contributions to a common fund based on stable employment. In the UK, the concern is with the extent to

which individuals are taking responsibility for their own lives, in much the same way that individual commitment is seen as a key to address inequalities and develop opportunities.

It is not surprising, therefore, that in Germany participants emphasised that the government should take on the role of supporting more vulnerable groups in accessing employment; while in the UK participants regarded the role of government as one of regulating welfare so as not to undermine the individual's commitment to take responsibility for themselves.

This stronger notion of individualism and market freedom in the UK is also reflected in the social acceptability of buying better services in the core areas of education and health-care, which make a substantial difference to people's opportunities in life. By contrast, German participants – even those with a middle-class background – tend to disapprove of the market principle in the core areas of social provision. Two quotes from a focus group of German 'routine' workers exemplify this. When asked whether it is fair that the better off can afford better services one replied: 'With regard to healthcare, I don't think that this is fair. Everyone should have the same conditions here.' Another respondent said that: 'Healthcare should be equal; education as well. Old age pensions should refer to the standard of living, which means that this does not necessarily need to be equal.'

In the UK, however, participants more or less favour the possibility of buying better services if you are better off. A woman from a 'routine' group (aged 45+) said: 'They've earned it; it's their money. They spend it on what they like,' and a male participant agreed: 'I mean if I'd got money that's the first thing I would do – private healthcare.' This more individual approach to success in the UK is echoed also in the more detailed analysis of the British Social Attitudes survey which shows a clear commitment to market values (Taylor-Gooby and Martin, 2008).

The fact that there are distinct welfare regimes in the two countries suggests there are also differences in social values and attitudes. Indeed, cross-national qualitative comparisons (whereby all the data from the focus groups of both countries was collated and analysed to identify points of agreement or differences) indicate considerable differences in relevant public discourses as well as in values.

For instance, although both German and UK participants strongly approve of equality of opportunity, there were noticeable differences regarding assumptions about individual responsibility, as well as the role of government:

- In the UK, the government aims to provide basic services, but individuals are then able to 'buy' better services if they wish, which tends to result in an unequal society. Participants across all the UK focus groups support this notion.
- In Germany, there is much more emphasis on ensuring equal access for weaker individuals and in restraining the advantages of the stronger.

Furthermore, in the UK, the obligation to contribute to society stems from the responsibility to support oneself whenever possible and not to use public social provision unless it is necessary; while in Germany it is more a matter of the way in which paid work and social contribution include the individual within a common structure of social citizenship.

With regard to intergenerational justice, German participants clearly point to the economic achievements of older generations and their contribution to the success of the German welfare state. Therefore, cuts in benefits for pensioners do not find majority support. However, participants were undecided when asked whether in future the government should focus more on public investment for pensioners and the elderly or on items benefiting younger generations such as education or the support of families with children. German focus group participants seem to be aware of the difficulties the government faces in combining the interests of both younger generations and the elderly.

In the UK many participants expressed concerns about the low-paid 'junk jobs' that are all that is on offer to those with lower levels of skill, or people made redundant in middle age. Nevertheless, the emphasis on individual effort and responsibility dominated the discussions: it was primarily up to individuals to achieve better conditions through effort and application.

An additional question that arises from the study of citizens' views of their respective welfare states and fairness is whether recent modernisation of welfare states has had an impact on their overall trust in government. This issue was investigated using the European Social Survey data sets and material from the World Bank Institute (Indicators of Governance), the OECD, and Luxembourg Income Study (LIS) data sets to probe the relationship between welfare provision, welfare state reform and political legitimacy.

These data sets confirmed that the state spending, greater equality in outcomes, and quality of social provision associated with the traditional welfare state are linked to political trust. However, some policy measures (such as lowering replacement rate, privatisation, and targeting) are negatively associated with political legitimacy. In other words, it is likely that programmes of welfare state modernisation do not damage legitimacy, provided that they are seen to have positive effects, such as the enhancement of opportunities. Simple reliance on negative activation (or even workfare), as in the ideal typical liberal regime, is likely to have the reverse effect.

This is a significant issue at a time when governments are likely to be compelled to enact unpopular measures to deal with public debt resulting from the banking rescues and stimulation packages of 2008–09, and will need to draw on reserves of public confidence to do so.

Overall, despite major reforms during the past decade and the emergence of more individualist, competitive and incentive-based ideologies (most notably in the UK), there is very little indication of any corresponding shift in public attitudes. For example, Table 1.1 (page 10) shows strong similarities in attitudes to inequality and to government policies to address poverty and advance opportunities in the two countries (see also Taylor-Gooby

and Martin, 2010). In the UK, both the IPSOS-Mori Public Spending Index and the British Social Attitudes index of 'Attitudes to Tax and Spend' offer respondents a choice between: supporting increased public spending at the cost of higher taxes and social contributions; cuts in both areas; or keeping taxes and spending on 'education, healthcare and social benefits' at the same level (IPSOS-Mori 2009, Appleby and Philips 2009). Both data sets show that the largest group prefers the status quo option.

Thus, political legitimacy, trust in government, and political stability remain significantly linked to support for state intervention and the pursuit of greater equality in life-chances in the traditional welfare state model. There is no switch to a more pro-active approach (i.e. resting primarily on individual rather than collective responsibility), as promoted by modernisation programmes in welfare states.

Although national differences remain, the survey data does not show changes in patterns of support that correspond to the new common direction of welfare reform in the two countries.

Attitudes towards ethnic diversity and migration

Attitudes towards migration and ethnic diversity are directly linked to the sustainability of the welfare state. The increasing diversity of societies is often seen as problematic because it is assumed that citizens' willingness to show solidarity and to support the welfare state depend on whether social welfare provision is organised within a homogeneous community that is linked by a common culture, language, and origin, or whether it extends beyond the boundaries of this group (for a discussion see Banting and Kymlicka, 2006).

Alesina and Glaeser (2004) suggest that the more a society is divided into distinct racial groups/communities, the less money is spent on welfare (see Taylor-Gooby, 2005, for counter-arguments). They believe that the comparably high ethnic diversity in American society is a key reason for differences in the levels of social welfare spending in the US compared with Europe.

In order to test these hypotheses, this part of the project reviewed attitudes to ethnic diversity and migration in both Germany and the UK, within a broader European context.

The study did find that ethnic diversity has a negative effect on both support for welfare state redistribution and support for inclusion of foreigners – but that this effect was rather weak. In contrast to the existing literature, high immigration rates and increasing ethnic diversity are not necessarily responsible for a decline in overall solidarity. Other factors such as unemployment or welfare regime differences matter as well. Interestingly, people in social democratic and Mediterranean countries are more in favour of granting equal rights to foreigners compared with respondents in liberal or conservative regimes such as the UK and Germany respectively.

Quantitative data (European Social Survey) suggests that, on this issue, attitudes in the UK and Germany do not differ substantially (see Table 1.2). However, Germans appear to be less willing than British citizens to grant the same social rights to foreigners as to fellow-citizens, although majorities in both countries do agree with the notion of equal rights. However, a slightly higher percentage of German respondents think that immigrants harm the economic prospects of the poor more than the rich. By and large, however, the quantitative data shows that patterns of attitudes across the two countries are very much alike.

Material collected during focus group discussions provides further insight into people's perceptions of migration and foreigners. There are notable differences in attitudes towards migration when it comes to the perception of an ethnic threat.

German participants did not view foreigners as a major problem; and instead regard migration as a necessary side-effect of globalisation and 'Europeanisation'. Migration, though not specifically embraced, is accepted as one important factor in keeping the labour market and the welfare state functioning. For example, a man (aged 20-45) with non-routine background stated: 'Migration in some way is a gain of human resources. Often well-educated people who went to school in their home country come to Germany, and Germany therefore gains human resources. On the other hand there are ... asylum seekers, which are considerably lower as the number of migrant labourers. And I think you want the first [migrants] so you have to bear the latter for humanitarian reasons ... and fund them by the welfare state.' Participants even approved of initiatives to recruit migrants in order to avoid labour shortages in certain areas.

Table 1.2
Attitudes towards immigrants in Germany and the UK (agreement in %)

	Germany	United Kingdom
Average wages/salaries are generally brought down by immigrants	35.9	37.6
Immigrants harm economic prospects of the poor more than the rich	53.7	50.4
Immigrants help to fill jobs where there are shortages of workers	56.1	56.7
If immigrants are long term unemployed they should be made to leave	48.9	52.8
Immigrants should be given same rights as everyone else	58.6	66.8
Taxes and services: immigrants take out more than they put in	54.1	57.5

Source: European Social Survey 2002/2003, weighted data. Analysis was restricted to respondents holding the citizenship of the respective country.

Notes: For items 1–5 the percentage of agreement with the statement was computed. Values for item 6 represent the percentage of people stating that immigrants take more out of the welfare state than they put in. T-tests for the variables listed in Table 1.2 reveal significant cross-national differences only for the items asking whether 'immigrants should be given the same rights' and whether they 'harm economic prospects of the poor more than the rich'.

However, when asked about the impact of foreigners on the overall living situation, participants (particularly those with routine occupations) referred to negative consequences. The fact that Germans with a weaker economic background often live in more ethnically mixed neighbourhoods seemed to evoke perceptions of other ethnicities as a threat. For example, several participants mentioned the educational system, reporting that schools with a higher share of foreign pupils could have a negative effect on the education of German children.

In the UK, an ethnic threat was expressed by almost all groups, but this tended to apply specifically to recent migrants, who were seen as overwhelming in number. A woman (aged 20-45) with routine occupation expressed her concern about labour migration from Poland: 'You've got British people that can do jobs fine – but you'll get a Polish person that can do it for £4 [an hour]....' Negative perceptions of immigrants were also observed, particularly the case when respondents referred to asylum seekers.

Despite this, homogeneity *per se* was not seen as important and the integration of many different racial groups was held as a point of national pride. It is perhaps for this reason – and because of the UK's tendency to maintain its island mentality with some pride – that European migrants were not necessarily seen as more welcome than those from other parts of the world. A need for labour migrants was accepted by many of the participants; and many also viewed such workers as being key to the UK's (until recently) thriving economy. However, such views were moderated by beliefs about high rates of illegitimate migration and cultures of benefit fraud, and a fear that migrants threaten the UK's welfare system. Finally, there was concern from participants in both routine and non-routine occupations that Britons at the bottom of the labour market lose out to migrant labour.

It is interesting to note that there are differences in perceptions of different immigrant groups. Here the diverse histories of immigration in the two countries seem to play a role. In Germany, some participants portrayed Turks as a group that causes problems for social cohesion and social peace, with social boundaries appearing to be based on cultural distance and religion. British respondents expressed concerns in relation to asylum seekers.

In both countries, citizenship matters. Moreover, there was little difference in attitudes on the issue of the conditions for the inclusion of migrants. People in both countries are willing to grant the same rights to migrants as to nationals, providing the scale of immigration is contained. A majority of participants in the focus groups from both countries expressed a preference for a restriction on immigration, including the implementation of rules limiting immigration to groups who are economically desirable and for whom labour market needs exist.

Results from the focus groups showed that people in both countries approved of migration as a productive contribution to society, but had concerns about welfare dependency and segregation. As Table 1.3 shows, in the UK there is greater emphasis on issues of

'deservingness' and fraud, which fits the image of a liberal welfare system. In Germany distributional conflicts seem to be relatively contained.

There was also a tendency to place culturally and socially distant minority groups lowest in the hierarchy of 'deservingness'. In terms of conditions for inclusion in the welfare system, the payment of taxes and employment are crucial. Hardly anybody would deny access to the benefit system to migrants who have paid their 'dues'. Unconditional access, however, was met with reservations.

Table 1.3
Summary of findings from focus groups

Country Dimension	United Kingdom	Germany
Migrants as perceived 'ethnic threat'	Some sort of migrant threat in all focus groups, e.g. labour market competition, ghettoisation	No direct evidence for perception of migrants as 'threat', but perceived negative repercussions of larger groups of migrants (especially among lower classes)
Consequences of immigration for the welfare state	More negative perception of migrant's welfare balance → contribute less (keep or send home money) and over-utilise or 'spoil' services (housing, education)	Mixed perception of migrants' welfare balance → contribute and take out (receive benefits)
Ethnic hierarchies	Attitudes between the countries differ with regard to the perception of immigrant groups. History of immigration in the respective country seems to play a role UK respondents evaluated especially asylum seekers negatively Citizenship matters	Germans tended to see the Turks as a group causing problems for social cohesion and social peace. Boundaries based on cultural distance
Conditions for inclusion	People are willing to grant same rights to migrants as long as immigration is contained Preference for restriction of immigration Respondents in both countries mentioned a desire for better regulation of immigration by a redesign of immigration law (more 'needed' people)	

2 The Growing Importance of Family-oriented Policies

Family policy is moving up the social policy agenda in Europe. In the 1980s and 1990s social policy changes focused on reforming pension and unemployment policies as well as 'making work pay'; but recent initiatives have primarily and explicitly centred on families and family policies. Many policy-makers, at both the national and the supra-national level, now regard the expansion of family policies as a significant contribution to the sustainability of political economies (cf. Mahon, 2008). Whereas in the past, discussions about the sustainability of welfare states primarily revolved around the question of whether existing financing structures would be viable under likely future conditions (such as rapidly ageing societies and ever more globalised 'national' economies), more recent policy debates have highlighted the necessity of improving child welfare and of a more viable work-life balance. Such policies are said to positively contribute to future economic development (cf. Esping-Andersen, 2002), i.e. they are a 'social investment'.

Despite their differences, family-oriented policies in both the UK and Germany have traditionally been based around the concept of a 'male breadwinner'. And unlike elsewhere in Europe, where public-sector provision is the norm (particularly in France and the Nordic countries), the UK and Germany have left the responsibility for childcare to families and, by implication, to mothers.

This chapter investigates the shifting balances between public and private provision in these two countries, within a context of social and economic sustainability; a context that requires the avoidance of poverty and social exclusion on the one hand, but the promotion of change and innovation on the other.

The chapter begins with a review of the recent changes to family-related policies in both countries. This is followed by an analysis of childcare policy based on policy documents, parliamentary debates and expert interviews in both countries, as well as detailed case studies and visits to publicly funded Children's Centres in the UK and Familienzentren in Germany.

Finally, in order to present a comprehensive picture of future trends in family-related policies, the chapter presents the results of a detailed investigation into the role of companies as providers of family support. This part of the research used existing comparative data on work-life balance policies, but it also involved an in-depth survey of human resources managers and corporate social responsibility managers at leading national and international companies (selected from the FTSE 100, DAX, MDAX and SDAX listings).

Recent changes in family-oriented policies

'Family' is a dynamic policy domain, and family policy is an area of considerable change in both Germany and the UK (Hantrais, 2004):

- In Germany, family-oriented policies have expanded in parallel with retrenchment in unemployment and pension policies. This trend, which started in the 1980s, was accelerated by the coalition government of Social Democrats and Greens (the Red–Green Coalition) in the late 1990s and early 2000s, and has been further deepened by the comprehensive reforms enacted by the current Grand Coalition government (including the centre–right Christian Democrats and the Social Democrats) (Bleses and Seeleib-Kaiser, 2004; Clasen, 2005).
- In the UK since New Labour's accession to power in 1997, family-related considerations have been the heart of British social policy (Lewis and Giullari, 2005). The result is a remarkably sustained programme oriented towards both family behaviour and individual well-being.

While there is variation in the nature of reforms being introduced, a number of cross-national trends have been identified:

- **A general move towards 'activation'** – Social policies, taxation policies and employment-related provision are increasingly introducing activation, i.e. making recipients of benefits more employable via active labour market programmes, either through limiting or attaching greater conditionality to the benefits. Mothers – and especially lone mothers – are particularly encouraged to be employed (Lewis and Campbell 2007). Maternal employment is 'incentivised' by changes in benefit and taxation policy as well as by a state-promoted growth in service provision substituting for mothers' input into child-care.
- **Considering or creating children as a category of and for social policy** – This change centres on improved access for children to development-related services (e.g. pre-school and other educational services as well as health services) and the granting of some individual rights to children (the right to childcare for example). Moves to counter child poverty are another expression of this child-specific orientation.
- **Introducing or upgrading childcare-related services** – In Germany, in a move away from existing practice, out-of-home care and education provision is targeted for major expansion, especially for children under three years of age. In the UK, existing provision is being altered and expanded so as to put in place a broad range of supportive services for families (oriented to improving family functioning). This trend in policy is more extensive in the UK than in Germany. As well as expanding early childcare and education services, the UK has seen a move to expand and streamline general services for families, in a bid to improve family functioning and bring greater stability to family life. There is a strong social class focus in this: the priority is to ensure that families living in the 20 per cent most deprived areas have

available to them in their locality a range of child- and family-centred services, including health, family support and out-reach, and early learning so as to improve childhood and parenting and promote parental employment.

- **Emphasising reconciliation of work and family life** – To some extent this has legitimised a recognition of family-related rigours and demands of child-rearing, as a counter claim to employment-based rights and responsibilities – especially in the UK where family-based claims had less legitimacy historically. Employed parents are given more generous but also more carefully targeted incentives and support, with the aim of allowing someone else to care for their children, but also, where necessary, to take time off employment to provide such care personally. This has involved the extension of leave programmes in the UK and their refocusing (in terms of income replacement and shorter duration) in Germany.
- **Focusing of state support for parenthood and parenting (rather than marriage)** – Parental or biological responsibilities are today emphasised over what might be termed more ‘social’ relations of partnership and marriage. The father’s role and the obligations of fathers are especially reinforced

This literature and policy review revealed that policy reform has been significant in both countries. The long-term distinctiveness of German family policy and of supporting the family as a valuable (if hierarchical) institution is being undone (Kaufmann, 2002). Family as an institution is now framed more closely against market-related functioning; a more gender-neutral approach has replaced the promotion of a male breadwinner model; and childcare is increasingly ‘normalised’ as being shared between family and other institutions. Policy increasingly seeks to fashion the family’s relationship to German society through the labour market (Leitner, Ostner and Schmitt, 2008). There is something genuinely new in the British case also – while it is not sufficiently coherent or focused on the family to be designated as ‘family policy’, there is more ‘family’ in British social policy now than before. The strong focus on children is noteworthy, as is the concern with the quality of family relations, the respective family roles of women and men, especially as parents, and the generally increased level of financial support to families.

The role of early childhood education and care policies

As the study confirmed, investment in the education of children has been increasingly advocated in both Germany and the UK. The rationale behind this policy shift is that, whereas children without good-quality education might fail to become adults contributing positively to society, children who have acquired high levels of skills will serve the future labour market and the economy as a whole. Moreover, the expansion of good-quality childcare will enhance the ability of parents to participate in the labour market and thus prevent more families ending up in poverty. In addition, improving reconciliation policies alongside high employment rates of women will have a positive effect on birth rates and thus the future labour force.

Such arguments have been made by international organisations as well as by experts in comparative social policy. For example, the OECD urges countries to develop early childhood education and care (ECEC) policies in order to boost the future educational attainment of children (OECD, 2001; 2006). The 'Babies and Bosses' series pointed out that good quality childcare is a precondition for the employment of parents (OECD, 2007). The European Union's employment policy is increasingly oriented at the 'adult worker model family' (Lewis and Giullari, 2005) according to which both parents participate in the labour market and children attend day care. In addition, in 2005, the President of the European Council stressed the need for investment in youth in his concluding speech 'European Pact for Youth' (Presidency conclusions, Brussels European Council, 22 and 23 March 2005). The aim is to tackle child poverty and to prevent the long-term effects of social exclusion in childhood (Marlier et al., 2007). Last but not least, internationally acknowledged social policy experts promote a 'child centred social investment strategy' (Esping-Andersen, 2002), with universal high-quality day care representing the core of an inclusive social policy. Arguably, attendance at day care is the foundation of a children's life-long ability to learn and the most important qualification within the knowledge society.

The research rested on the hypothesis that the recent expansion of ECEC policy in Germany and the UK was based on fairly similar economic discourses in the two countries. However, this was not the case.

In the UK, economic arguments based on potential future benefits were employed in order both to give childcare policy greater prominence and to legitimise increased public expenditure in this field. Furthermore, stronger investment in childcare was portrayed as helping to reduce the scale of socially deviant behaviour. Overall, political discussions in the UK were very much focused on possible effects of ECEC for the development of children and on the question of how to guarantee good quality childcare (cf. Glass 2001).

In Germany, the debate on ECEC was framed within the discourse on the low birth rate and a future shortage of qualified workers: if women are able to reconcile work and childcare, the employment rate of mothers as well as the birth rate would increase (cf. Auth, 2007). Investment in ECEC would therefore allow women to have children *and* participate in employment. Political discussions thus reflect the new German gender norm which advocates mothers of very young children engaging in paid work. Unlike the UK, in Germany the quality of childcare was hardly addressed.

In short, while both countries relied on economic arguments for the expansion of ECEC, respective political discourses reflected historical legacies of different welfare state cultures. In the UK, new public initiatives in family policy required legitimacy; while the German discussion contributed to changing traditional gender norms. Apart from these differences, both countries implemented measures explicitly aimed at improving the educational and social development of children.

In order to investigate whether these similar policies might lead to a convergence of welfare arrangements, Children's Centres in England and Familienzentren in North-Rhine-Westphalia were studied in detail, including expert interviews with central actors in the

field such as key scientific advisers, leaders of Familienzentren and Children's Centres, and representatives of local authorities.

Both types of centre follow the logic of one-stop-agencies for the purpose of family matters and represent changes in the mode of governance in local family policy.

The findings suggest that cultural and institutional heritages shape the content as well as the implementation of the 'new economy' in family policy. For example:

- While Children's Centres in England focus mainly on socially deprived areas, German Familienzentren are geographically more dispersed and include lower, middle and upper class areas.
- In contrast to Familienzentren, England's Children's Centres include employment-related services aimed at bringing parents into work.

These points illustrate the differences between the British liberal welfare state tradition focused on poverty prevention and workfare which has been adopted for family policy, and the German social-pedagogical tradition of family policy, which does not overlap with employment policy. Thus the development of social care services was overwhelmingly bottom-up in Germany, where the mixed economy of welfare can be seen as the result of local consensus building (cf. Evers et al., 2005). The network structures of Familienzentren seems to be sustainable even if funding streams which are determined by the federal state were to change or be abolished. In contrast, in England, Children's Centres are based on short-term central government funds which allowed the creation of network structures of social care services for children and their families. Since these networks are top-down initiatives there are doubts about their sustainability if policies change.

Overall, it was clear that social policy traditions function as a filter for social policy discourses: national economic discourses on the expansion of ECEC differ according to the country's social policy contexts. In addition, cultural and institutional legacies shape the implementation of social investment policies.

Companies as actors of family policy

Policy-makers in both Britain and Germany have highlighted the positive effects of company-level family policies. Based on a report by Prognos, the German Ministry for Families, Senior Citizens, Women and Youth argued that improved work-life balance policies have positive effects for companies and individual workers, as well as benefits at the macro-economic and societal level (BMFSFJ, 2005). Likewise in the UK, positive effects on economic performance are associated with the engagement in policies supporting work-family reconciliation (DTI, 1999; cf. Lewis and Campbell 2007, 369). Based on these arguments it could be concluded that company-level family policies can indeed significantly contribute to an increased sustainability at the micro- (companies and families)

and macro- (economic and societal) level. However, the effects can only be achieved if the companies actually provide the policies.

It is important to note that the results obtained from this study only focus on the formal institutionalisation of company-level family policies and not on their implementation or the take-up rates. Workplace cultures might constitute the ultimate challenge (see Lewis, S., 2001), but such an analysis of implementation and take-up rates was beyond the scope of this project.

Largely parallel to the expansion of public provision, companies in Germany and the UK have indeed expanded their family policies (BERR, 2007; BMFSFJ, 2007; DfEE, 2001; DTI, 2003). According to a survey commissioned by the European Foundation for the Improvement of Living and Working Conditions (2006), the provision of company-level family policies is more prevalent at British than German workplaces. For example, the data shows a greater incident of extra-statutory long-term leave available at British workplaces (38.5 per cent, compared to 30.2 per cent in Germany); and corporate child-care facilities are more than four times as likely in the UK (5.5 per cent) than in Germany (1.3 per cent). Training programmes for returning parents are offered by 35.5 per cent of British and only 14.2 per cent of German companies.

Flexi-time (i.e. variable work schedule) is available at 57.9 per cent of British workplaces, compared with 49.2 per cent in Germany. Working time accounts (which stipulate a certain number of hours to be worked and provide the employee and employer with flexibility regarding the timing of the work) are the only measure that is significantly more widespread in Germany (43.6 per cent) than in the UK (27.4 per cent). (For a more detailed account of the findings see Seeleib-Kaiser and Fleckenstein, 2009.)

From a purely functional perspective, it seems plausible that the greater scale of company-level provision by British companies can partially be explained by the more residual public provision (see also Den Dulk, 2001, 193–5). However, this argument cannot account for the specific conditions and causal pathways that have triggered expansion at the firm level in both economies.

The survey of companies listed in both the German DAX, MDAX and SDAX and the British FTSE 100 confirmed that the main reason for companies to institutionalise company-level family policies is the retention and recruitment of staff (see Table 2.1). With other business reasons closely related, it seems reasonable to argue that it is business needs, rather than a notion of corporate social responsibility, that are driving managers to provide family-friendly policies. It therefore does not seem surprising that managers are 'protagonists' (for this conceptualisation see Korpi, 2006) in this policy domain in both countries.

Based on the Varieties of Capitalism literature (Estevez-Abe et al., 2001), it would be reasonable to expect that there would not be an expansion of firm-level family policies among companies requiring general skills. However, results from this project's survey show that family-friendly policies are provided at workplaces where (high) general skills are required, rather than by companies that predominantly rely on industry-specific skills.

Table 2.1
Survey results of companies listed under DAX, MDAX, SDAX and FTSE 100

Reasons to engage in corporate family policies	Mean Score (ranking)	
	Britain	Germany
To retain and to recruit qualified employees	4.40 (1)	4.19 (1)
To increase job satisfaction of employees	4.25 (2)	3.96 (2)
To reduce personnel turnover and absenteeism due to illness	4.20 (3)	3.54 (7)
To improve the reintegration of parents returning from parental leave	4.05 (4)	3.81 (3)
To reduce absenteeism of parents due to childcare issues	3.80 (5)	3.65 (6)
To grant more time autonomy to employees (especially parents)	3.50 (6)	3.69 (5)
Corporate social responsibility	3.30 (7)	3.08 (8)
Insufficient public family policies	2.55 (8)	3.81 (3)

Note: The reported reasons for the various family policies were scored on a five-point Likert scale. Mean scores were calculated to assess the weight of individual motives and the hierarchy of the reasons for firms to engage in extra-statutory family policies.

This is particularly evident among Germany companies, which are more likely to provide flexible working time options to retain workers requiring these skills.

The only evidence available to illustrate this link in British companies comes from a quantitative study of a 2004 workplace survey commissioned by the European Foundation. However, other research suggests that British companies in the financial sector, which usually require high general skills, are pioneers of family policy provision in the private sector (Whitehouse et al., 2007: 33).

This leads to the conclusion that companies requiring general skills in a tight and highly mobile labour market offer such policies to attract and retain qualified staff. Without these policies employees with children would either be less inclined to work for these companies, or would move to a different employer. The portability of their skills gives them more choice. Workers with specific skills, on the other hand, are usually less able to exercise this option because their skills are less portable.

Much of the existing literature has taken the presence of trade unions or works councils as an indicator for their involvement in pushing for firm-level family policies. While the quantitative analysis of data for Germany shows that the presence of works councils significantly increases the likelihood of company-level provision, this sort of analysis does not provide sufficient information with regards to the role played by organised labour.

Qualitative comparative analysis (QCA) (see page 50) shows that German works councils were 'consenters' rather than 'protagonists' in corporate family policy-making; and that the expansion of company-level family policies is not their main priority. Works councils traditionally have very different priorities, because they perceive workforce

reduction, outsourcing, or benefit reductions as the main problems (cf. Klammer, 2000; 158; Lindecke, 2005: 326). However, they are often crucial players in the governance of occupational family policies, once these are institutionalised.

For British workplaces, quantitative analysis found that trade unions do not regard family-friendly policies as a priority; and the QCA confirms that trade unions do not tend to play a part in designing family-related policies, showing that their involvement, if present at all, was within the margin of statistical error.

Given the selective nature of corporate family policy, and the specific conditions that are conducive to its institutionalisation, company-level policies will inevitably contribute to 'enclave social policies' (Root, 1982: 16; Pearson and Seyfang, 2001: 66). In other words, workers of various sectors within the economy will enjoy different levels and types of occupational family policy.

Moreover, comparing the two countries, and given the marginal relevance of trade unions and the voluntaristic structure of industrial relations in Britain, it seems unlikely that company-level policies will develop into something more than 'enclave social policies' in the immediate future. In contrast, based on the important role of German works councils, company-level family policies may become an important element of collective bargaining within certain sectors of the German economy. For instance, within the German banking and insurance sector about 24 per cent of all workplaces provided company-level collective agreements (*Betriebsvereinbarung*) covering family policies in 2004/05, compared with only 3 per cent of the workplaces in the construction sector (Lindecke, 2005: 324), which is largely dependent on specific skills.

However, as high-level general skills increasingly become a core feature of knowledge-driven economies, and as the gap between supply and demand for workers with these skills continues to widen, employers requiring high general skills might in the future become protagonists for public provision of family policies, because their reliance on the male breadwinner model will become ultimately obsolete.

3 The Sustainability of Public/Private Pension Regimes

There is hardly a social risk affecting citizens as predictably as the loss of employment-related income in later life. Securing pensions for ageing populations is a key responsibility for societies globally. However, this task has become more challenging over recent decades. Increasing longevity, declining fertility rates and changing economies have put pressure on states, employers, insurers and individuals, leading to pension reforms in many developed industrial countries. At the same time, the view that multi-pillar pension regimes with strong, privately funded components are more appropriate than unfunded public systems has taken hold, supported widely by governments, the EU and international organisations (World Bank, 1994).

The financial crisis that began in 2008 has led to some reflections on the appropriateness of this course (e.g. OECD 2009: 3) based on the fear that falling pension fund wealth increases poverty risks for individual citizens. However, so far the drastic change in economic climate has not had any direct implications for pension policy.

This chapter assesses how two pension regimes have responded to the long-term challenges: the British with low-level public and mature private provision; and the German social-insurance-based public system with earnings-related benefits.

The project reviewed the change in the public and private pension landscape in both countries between the late 1990s and 2008, and evaluated the effect of these changes for citizens' pensions. This was followed by an investigation of the extent to which employers and insurers are prepared to take on the role of 'key bearers of responsibility' in the private realm of diverse pension provision.

Changes to pension scheme provision were investigated by reference to the relevant legislation. In addition, to assess conditions in the non-state sector a database of pension schemes across both economies was created. In order to gauge the future social sustainability of the current pension regimes, this information was then used as the basis for calculations (micro-simulations) of the likely future public and private benefits of a range of hypothetical citizens who would start work at the beginning of the millennium.

The evaluation of the readiness of key private pension actors to take responsibility for pensions is based on the annual reports of all DAX and FTSE companies between 1998 and 2008, on parliamentary proceedings on pension reforms, on expert interviews with insurers and employers, and on public documents issued by the main policy actors.

The shifting role of public and private pensions

Traditionally, German public pensions have been social-insurance based and financed on a pay-as-you-go basis. Benefits are earnings-related and, since the mid-1950s, have replaced around two thirds of wages for employees with uninterrupted working lives. Entitlements of those with weaker ties to the labour market are correspondingly lower, despite the introduction of care-related entitlements since the mid-1980s. Because of the strength of public pensions the occupational sector was weakly developed in comparison with Britain, although unfunded 'book reserve' schemes offering defined benefit pensions did play a role in many of the larger companies and/or those with specific skill requirements (Manow, 2001b; Clark, 2003). In the past twenty years pension reforms in Germany have transformed the nature of this regime, significantly reducing the predominance of public pension provision and introducing incentives for individuals, employers and trade unions to engage in funded non-state occupational and personal provision on a voluntary basis. Such engagement is now needed to make up for the shortfalls that cuts in the public pension will bring (Bridgen and Meyer, 2008; Hinrichs, 2001; Schmähl, 2002; Riedmüller and Willert, 2007).

Because of these changes Germany has moved closer to a 'multi-pillar' pension model. The number of employees covered by occupational superannuation funds rose from 1.4 million in 2001 to 4.3 million in 2006 (TNS Infratest, 2007). However, occupational coverage is still far from universal and the level of contributions to some of these schemes, particularly from employers, remains low (Riedmüller and Willert, 2007). Moreover, while there has been talk of a 'boom' in funded pensions (Berner, 2005) most DAX30 companies have shifted defined benefit 'book reserve' schemes off the company balance sheet into separate trust funds (Clark, 2003), and a significant minority have closed them to new employees.

Germany has thus moved closer to the liberal pension regime that was so typical for the UK for a long time, with the consequence that the patterns of entitlements have become more complex. Considerations of financial sustainability played an important role in these reforms. The public system, financed by taxes and high non-wage labour costs, stifled economic growth and was seen to be unfair to younger generations (Anderson and Meyer, 2003). Indeed, in 2004, across the European Union as a whole, Germany's public expenditure levels on pensions was among the highest (11.4 per cent of GDP), and is projected to remain relatively high. However, due to the latest reforms, growth in spending is projected to slow below that of the UK, despite a stronger increase in the German old age 'dependency ratio' (EPC 2006: 71) (i.e. the share of inactive citizens older than 65 as a percentage of the employed population younger than 65). The dependency ratio is less favourable than the British (39 per cent in Germany in 2003, compared with 32 per cent in the UK), and this ratio is projected to increase to a much higher level in Germany by 2050 (69 per cent, compared with 57 per cent in the UK) (Carone, Costello et al., 2005: 40).

The British pension regime had traditionally conformed to the multi-pillar model that is widely seen to be more appropriate to meeting socio-economic challenges. As in Germany, the British public pension system was insurance-based, and financed on a pay-as-you-go basis, but benefits were below the poverty line. In order to secure a better income in retirement citizens had to pay into occupational or personal pension schemes. Employers and insurers have therefore traditionally played a very important role.

Up to the 1960s a quite generous defined benefit occupational system had developed, providing pensions to about half the population. Nevertheless, non-state provision was voluntary, leaving those without access to such benefits at high risk of poverty or dependent on the means-test. Like Germany today, the British state supported non-state provision through tax incentives, and it regulated the conditions under which employers and insurers offered benefits (Bridgen and Meyer, 2005; 2007). One outcome was high financial sustainability and the younger generation's obligations to pensioners was lower than in Germany. In fact, in 2004 the British public pension expenditure was the lowest in the European Union, excluding new member states (6.6 per cent of GDP), and Britain is projected to retain this position until 2050 (projected 8.4 per cent of GDP; EPC, 2006: 71). However, financial sustainability alone does not guarantee pension regime stability. Indeed, the British system came under intense public and political scrutiny during the period under investigation.

For some time now many large British companies have been closing their defined benefit schemes to new members, offering instead defined contribution schemes with far lower contributions, while the value of public pensions was set to fall in relation to earnings (Bridgen and Meyer, 2005, 2007). This decline raised concerns that the regime was offering insufficient protection against social risks for a growing proportion of the population. Not least because this was widely publicised by the Pensions Commission (Pensions Commission, 2004; 2005), the government passed two reform Acts in 2007 and 2008 (OPSI 2007; 2008). These changes will increase the level of the state pension and widen its scope, improving the status of women in particular. According to the Department for Work and Pensions (DWP) these reforms mean that 70 per cent of women will receive the full basic state pension, compared with only 30 per cent if the reforms had not been introduced (DWP 2008b).

In the occupational pensions sphere, reforms have sought to preserve existing provision and introduce quasi-compulsory employer contributions to occupational pensions in companies where no provision has previously existed ('Personal Accounts'), expanding coverage to most workers. This new, more compulsory element is to be phased in from 2012.

In summary, German pension policy-makers have addressed concerns of financial sustainability and lack of intergenerational justice by enacting substantial reforms; while British pension reforms have addressed concerns of social sustainability, because the existing pension regime has been deemed to be too insecure for large parts of the population.

The social sustainability of public/private pensions

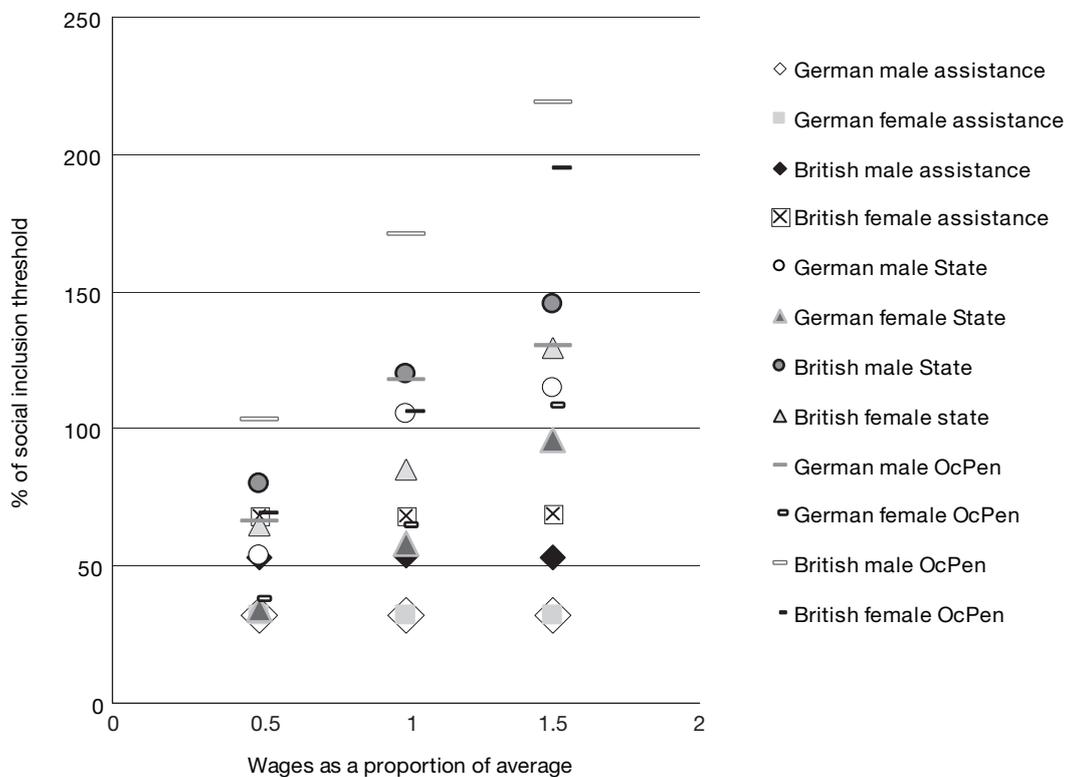
How do the reformed public-private pension regimes affect the social security of citizens? This question was investigated by a series of micro-simulations of the pension entitlements under the current regimes in both countries for three men and three women who start work between 2007 and 2011 and retire in 2054 (details on pages 50–51). An appropriate simulation scenario was developed by selecting a wide range of pension schemes from manufacturing, finance, retail and the public sector for both countries, then using the best, the worst and the most typical scheme from each sector to calculate the public-private pension results. The results were then compared with the ‘social inclusion’ line, i.e. 40 per cent of average wages.

Projected pensions of individuals: risk of social exclusion

Figure 3.1 shows the results for each micro-simulation, with different forms of pension benefit in each country.

The first column indicates the benefit received on retirement for men and women on half-average income in six different scenarios: social assistance, state provision and the

Figure 3.1
Projected outcomes for all German and British biographies by benefit type in relation to social inclusion



median occupational provision in Germany; and social assistance, state provision (Personal Accounts) and the median occupational provision in the UK. These benefits were plotted in relation to a social inclusion line. Thus 100 on the vertical axis represents 100 per cent of the social exclusion threshold (i.e. 40 per cent of average income).

The same applies to the following two columns for individuals on average and 1.5 times average income respectively. The graph shows that the majority of the micro-simulations – and in particular for 14 out of 18 women – remain below the social inclusion threshold. Even the German woman on 1.5 times average earnings with a state pension finds herself in this situation, suggesting that women are facing greater poverty risks than men in both pension regimes, despite care-sensitive pension elements.

Of those who receive benefits higher than the social inclusion threshold on retirement, quite a few individuals are only just above this line. These are likely to fall below the threshold soon after retirement because most benefits only rise in line with prices, whereas the social inclusion threshold rises in line with wages.

Most individuals with a pension above the social inclusion line are members of occupational schemes. These individuals have to be considered as more fortunate examples of their income group, given that coverage of occupational provision is far from complete and varies by income and gender. Thus, men with 1.5 average earnings are more likely to have access to occupational pensions in real life than men with 0.5 average earnings. Likewise, it is generally more likely that men rather than women on the same income will be covered by occupational provisions.

These results suggest that recent pension developments have created a system in which the risk of social exclusion is high for many citizens with average earnings.

Projected pensions of individuals: inequality

Unequal outcomes in pension provision are the result of two types of inequality in input:

- The better educated and those with uninterrupted employment careers, mostly men, accrue higher benefits because they pay higher contributions. This type of inequality may lead to lower pensions for some and large differences in pension benefit received, but these are often perceived as legitimate as part of a belief in meritocracy (see also Chapter 1). In many systems (female) carers accrue rights because societies accept that they are disadvantaged in the labour market. This notwithstanding, large gender differences in the results of the simulations demonstrate that the care-related entitlements are too low to compensate for carers' foregone earnings in the labour market.
- There are inequalities of pension outcome due to differences of availability and quality of pension schemes for employees with the same socio-economic characteristics. Since pension scheme quality can vary considerably, individuals with precisely

the same lifetime incomes can accrue very different pension benefits. This type of inequality, which thus far has been explored less well, is more arbitrary and without any meritocratic legitimacy.

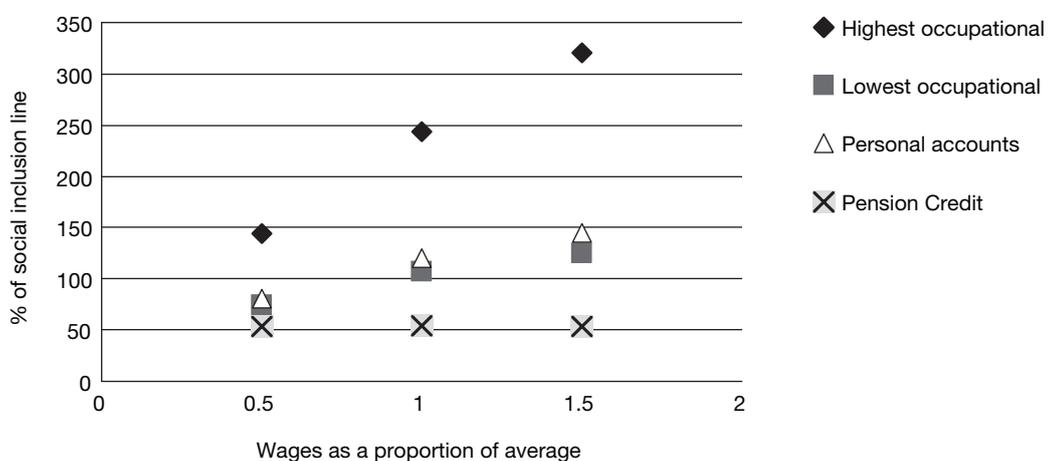
Figure 3.2 illustrates this for men in the best and the worst British occupational scheme across all sectors.

The category 'personal accounts' includes a calculation of the pension that men on different levels of income could receive under the Pensions Act 2008, if legislation remained unchanged during their employment careers. The category 'pension credit' includes the means-tested benefit for retirees without occupational provision who opted out of personal accounts.

Figure 3.2 illustrates that pension levels for men with identical working lives and incomes vary widely. For instance, men with half average wages might be 25 percentage points below the social inclusion line or more than 40 percentage points above it. Men with average income can be just above the inclusion line, or almost 150 percentage points above it. The gap between the lowest occupational benefit or the 'personal accounts' and the highest pension is explained by scheme quality. In this case both the lowest occupational scheme (run by the retailer Next) and the personal accounts are defined contribution schemes. The most generous occupational scheme is a defined benefit scheme, run by the pharmaceutical company Johnson Matthey.

Carers are disadvantaged by public pension systems (discussed above), but there is also inequality within identical income groups (see Figure 3.3). The pension of British women on 1.5 average income, for example, can be 12 percentage points above the inclusion line, if employed by Next, or 142 percentage points above for Tesco employees. The reason for this difference is the same as that for men, i.e. the variation in the quality of schemes. Again, the highest levels are achieved by defined benefit schemes.

Figure 3.2
Variations in total projected pension outcomes for illustrative biographies (men, UK), 2057



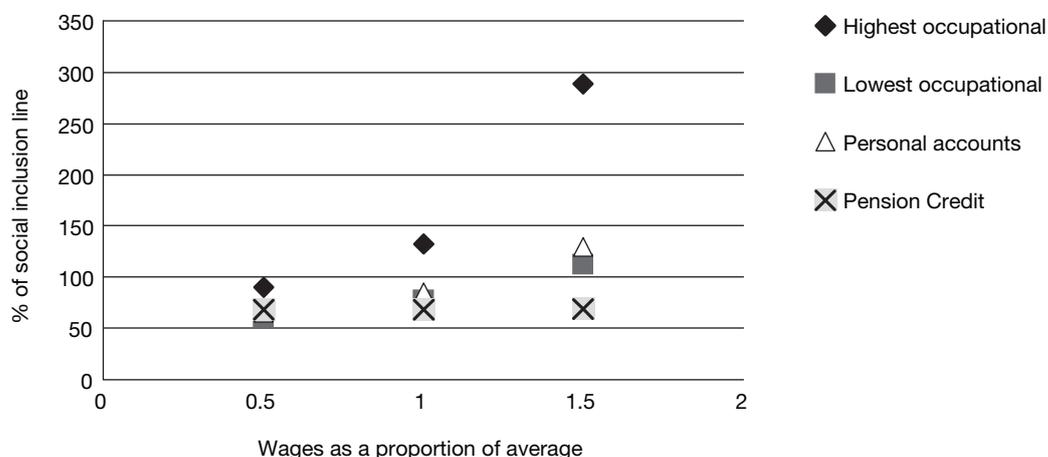
This raises the question of whether those on lower pensions also pay lower contributions and thus have the same opportunities overall. As shown elsewhere (Bridgen and Meyer, 2005: 768; Meyer and Bridgen, 2008: 362-70), employees paying into defined contribution pension schemes will pay roughly the same contributions as members of defined benefit schemes, but will accrue lower pensions because of lower employer contributions. At the same time, a worker without any occupational scheme would pay lower contributions and have higher take-home pay, but would need to put much more of his or her wage into a personal pension pot than someone with an occupational pension to achieve the same pension benefit.

Variation is lower among lower paid women (Figure 3.3) mainly because low final part-time wages entitle them to (final salary scheme) benefits which are only slightly higher than those received from defined contribution schemes. Indeed, the best occupational scheme used for these micro-simulations is an exception: Tesco's is an average salary scheme, which is particularly beneficial for workers with stable wage trajectories, but this is far from typical.

Significant diversity of outcome within income group is also evident in Germany. Again, taking a man with average income, his pension could be just above the inclusion line or 50 percentage points above it. However, the range of outcomes is smaller in Germany than in the UK and the highest benefit is substantially lower. The largest variation in German pension levels for the same hypothetical case (excluding means-tested benefits) is 59 percentage points, compared with 196 percentage points in the UK.

Among German females, diversity is evident too, but almost non-existent for the lowest paid worker and significantly less so than in the UK among other workers (Figure 3.4). This is because defined benefit schemes are less common and, where they exist, less generous.

Figure 3.3
Variations in total projected pension outcomes for illustrative biographies (women, UK), 2057



As noted above, scheme quality plays the decisive role for these inequalities in outcome and differences are lower in Germany than Britain. Some of this variation is related to employment sectors. As Figure 3.5 shows, British manufacturing offers the best pensions for all men in the scenarios, because of the continuing dominance of defined benefit schemes within the sector. The public sector also offers defined benefit schemes. The quality of schemes in retail is lowest. However, British variation also operates within sectors. Thus, while overall manufacturing has the best pensions, there is considerable

Figure 3.4
Variations in total projected pension outcomes for illustrative biographies (women, Germany), 2057

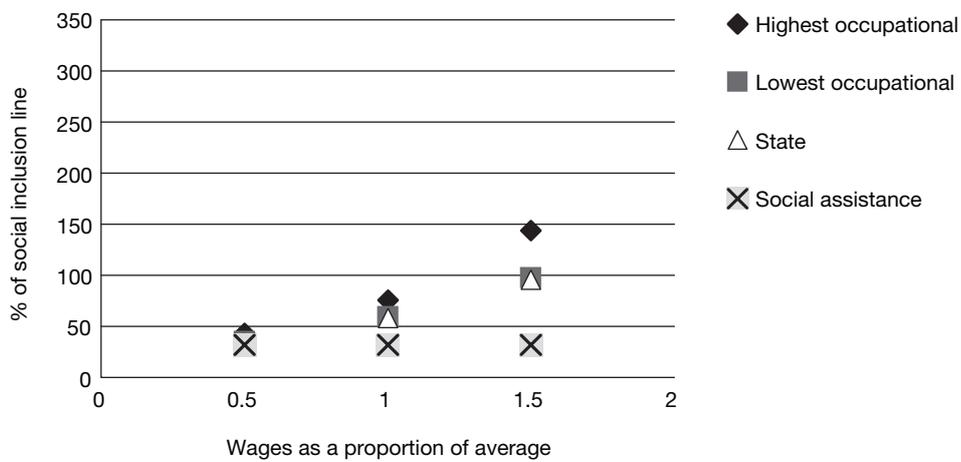
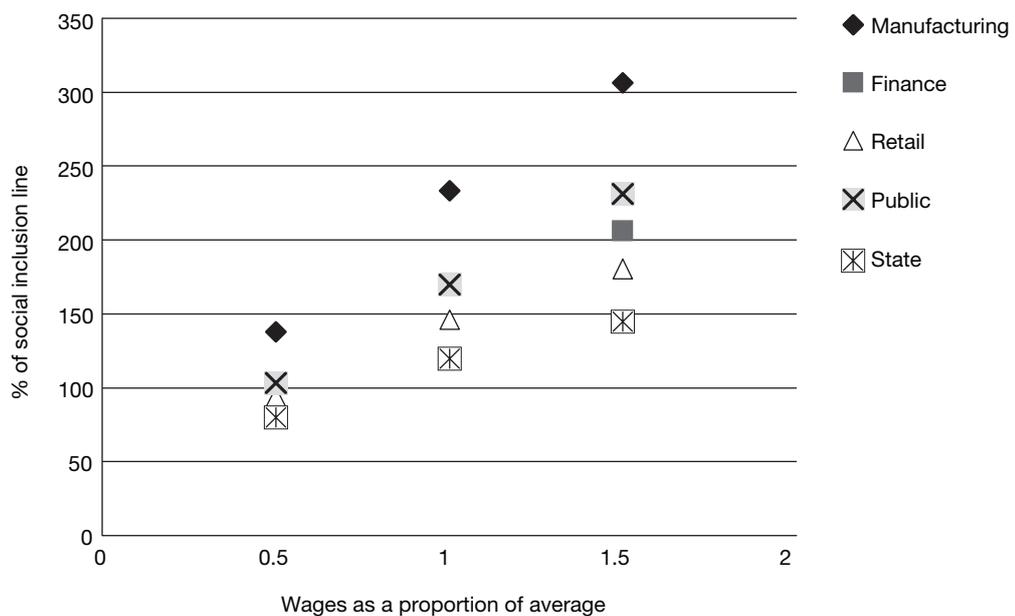


Figure 3.5
Variations in total projected pension outcomes (men, UK) by sector, 2057



variation within it. For example, a male employee on average wages in the chemicals industry could be entitled to a pension worth 120 per cent of social inclusion if employed ICI, or one worth 244 per cent if they work for Johnson Matthey.

Personal savings schemes are not effective in helping to protect those who need such protection most, despite their support by governments. In the UK numbers stalled subsequent to the rapid growth of contracted out personal schemes in the mid-1990s following new legislative incentives. The take-up of British Stakeholder Schemes (directed mainly at the lower-paid) has been minimal. In Germany, the use of voluntary and subsidised Riester pensions has increased in recent years, but mainly by those on higher wages. Indeed, in both countries, contributions to personal schemes have been too low to create widespread adequate cover.

In summary:

- The risk of social exclusion in retirement for the current young generation is significant in both countries. German reforms have succeeded in curbing spending growth, but have contributed to new poverty risks; while recent British reforms have improved protection for those without previous access to pension insurance, but, despite these significant changes, benefit levels remain below the poverty line for many.
- Pension outcomes are quite unequal. The better educated and those with uninterrupted employment careers, mostly men, accrue higher benefits due to higher contributions.
- Inequalities of pension outcome also reflect variation in scheme quality both across sectors and between employers. Individuals with identical lifetime incomes can accrue very different pension benefits. This variation has not increased in both countries in recent years, although it is less pronounced in Germany.

Employers as actors in pensions policy

As with the research on employers in Chapter 2, a smaller second stage of this project was devoted to exploring the role of employers. Unlike in family policy, occupational pension provision has a long tradition and has been much stronger in the UK than in Germany. Given the generally declining role of public pensions in both countries, the aim of this part of the project was to assess the prospects of companies contributing to a more socially sustainable pension landscape.

There are strong arguments suggesting a continuing decline of occupational pensions including: increased longevity; a decline in the importance of specific skills (Sass, 1997); greater state regulation reducing company control (e.g. Pensions Commission, 2004); financial globalisation; and the requirement for listed companies to publish their pension

scheme liabilities on their balance sheets (Cutler and Waine, 2001; Clark, 2003). On the other hand, however, based on the literature on varieties of capitalism (Estévez-Abe et al., 2001; Hall and Soskice, 2001) it could be expected that employers – especially those requiring workers with firm- or industry-specific skills – would continue to invest in occupational welfare in Britain in order to attract or retain skilled workers. Increasingly, the same could be true for Germany, where capital and labour in a ‘coordinated market economy’ were assumed to support higher state benefits for the long-term gain of a highly skilled workforce (Manow, 2001a). Considering the retrenchment of the state pension, the interest of certain companies in occupational welfare should have increased.

In short, the literature suggests that some businesses should have an interest in occupational welfare, but socio-economic conditions can be assumed to have added strong pressures to contain spending, exacerbated by the financial crisis of 2008. Documentary analysis combined with interviews with employers and insurers were used to explore how businesses acted under such conflicting conditions.

The findings are as follows:

- Occupational pensions are still an important tool for human resource management. Even though most large British companies have cut benefits, many have done so reluctantly, worrying about the effect for recruitment, retention, and the shedding of older workers. Such companies tend to offer better schemes now than others. Likewise, German businesses relying on skilled labour were more likely to introduce better-quality schemes.
- Companies seek ‘safety in crowds’. Aware of what their competitors are doing, many businesses are reluctant to be pioneers of retrenchment, fearing the negative public exposure such behaviour could bring. This suggests that change can spread across sectors quickly once it starts, but also that companies will reconsider reform, if these could expose them to pressure. One type of pressure is represented by trade unions. According to interviews with pension managers, British trade unions have underestimated the leverage they had to prevent cuts in pension schemes.
- Many companies believe that government regulation and the International Accountancy Standards Board increase costs and limit control over occupational pensions because both emphasise short-term costs over other considerations. As a result of this, some companies cut pension scheme benefits which they would have liked to keep and which their pension managers considered to be far less vulnerable than suggested by accountancy standards.

Against this background, policy-makers should note that large companies reliant on a skilled workforce maintain an interest in occupational pensions, even under very difficult conditions. However, if policy-makers want to support private engagement on a voluntary basis, ever tighter regulation is not the way forward. A more socially inclusive solution would be to limit regulation of private actors, allowing them more flexibility, and instead to institutionalise non-means-tested public pensions that protect citizens against poverty.

4 Conclusion

Positive attitudes to social justice are, without doubt, crucial for the sustainability of welfare systems. Welfare reforms have to combine financial sustainability with prevailing notions of justice if they are to win lasting support. One major aim of this research programme was to investigate and compare the links between the new challenges to the welfare state with attitudes to social justice in Germany and the UK.

Attitudes to social justice

Although analysis of quantitative data did indicate a slight general shift towards attitudes associated with a more liberal, less regulated and less interventionist approach (both in terms of the scope for which the government is seen as responsible for redistributing income and in the management of migration), the focus group interviews revealed persistent differences between the two countries. For instance:

- German participants put more emphasis on both providing equal access for the disadvantaged and restraining the advantages of stronger and more affluent groups. Social insurance contributions and work history remain strong conditions for establishing entitlement to welfare.
- British participants seem more willing to accept social inequalities and have a strong emphasis on self-reliance and responsibility. Market freedom and the possibility for the better-off to buy better services are endorsed more firmly.

There are concerns that high immigration and increasing ethnic diversity could have an effect on welfare state solidarity, but the results of this study indicate that any effect, if present at all, is weak. However, problems could arise due to a persistent theme identified in the focus groups: the perception of the high welfare dependency of foreigners. Ethnic and cultural segregation because of migration has also been identified as a negative outcome of increasing ethnic diversity, which could tend to undermine social solidarity.

Overall, however, opinions in Germany and the UK appear to be moving in a common direction, while nevertheless maintaining their cultural and historical differences. This finding reflects previous studies such as those of Scharpf and Schmidt (2000), Pierson (2001) and Bonoli et al. (2000) which show that welfare states maintain recognisable regime differences while responding to the pressures on provision through policies that involve broadly similar kinds of reform.

This study has also shown that, at least until 2008, even though prevailing attitudes might have become slightly more individualistic and less supportive of collective social protection, there are still large majorities in both countries that support public policies directed at containing inequalities and income differentials.

The rise of family-oriented policies

As Nordic countries have illustrated rather successfully, comprehensive and redistributive welfare states rely on high levels of paid work, which includes female employment. This study has shown that the policy focus in Germany and the UK has been rather narrow in both countries and dominated by economic rationales – with children mainly regarded as future economic actors, and with childcare and early education policy viewed as a public investment strategy in order to tackle problems of poverty and social exclusion, falling birth rates and labour market shortages. In short, this project identified the emergence of policies for children, for parents, for lone parents, and so forth, rather than ‘family policies’.

The striking particularity of such an approach, especially when set against the classic motivators of family policy in Europe, may render the current approach unsustainable.

There are strong grounds to argue that the family-oriented policies currently pursued in both the UK and Germany are *only* ‘chipping away’ the boundaries between work and family life.

If the ultimate goal is not just (and maybe not even) to get more women into employment, but to alter the nature of family life such that it becomes more compatible with the rhythms and exigencies of the economy and the labour market, then policy-makers need to further develop their understanding of and capacity to plan for the family as a domain that has both individual and collective foundations.

Despite the emphasis on work-life balance and family-work reconciliation, this study also suggests that companies are unlikely to become a source of family support that is as comprehensive as public provision. The current level of corporate activity is patchy within both countries.

As high-level general skills increasingly become a core feature of knowledge-driven economies, and as the gap between supply and demand for workers with these skills continues to widen, employers might become protagonists for public provision of family policies in the future, because their reliance on the male breadwinner model will become ultimately obsolete.

The sustainability of public/private pension regimes

Debates on public pensions have been dominated by a notion of unsustainable levels of public expenditure and the need, and political will, to expand private and occupational provision. Not surprisingly, the role of companies in pension provision has grown since the 1980s in the UK and in Germany more recently. This does not mean that pension regimes have become more socially sustainable, as simulation results from this study have demonstrated.

Even though pension regimes in the two countries have developed along different reform trajectories since the late 1990s, both offer low benefits to substantial parts of the population and are insufficiently secure. While the German regime might have been successful in consolidating public expenditure, and while public pensions in the UK will become slightly more expansive in future, neither of the current regimes offer much security to young citizens who are beginning their employment careers today, and the risk of poverty is significant.

Unfortunately, the inadequacy of current systems does not necessarily translate into political pressure for reform, and during a recession pressure for higher spending is unlikely to build. However, public policy-makers interested in achieving both financial and social sustainability should take note of the consequences of years of reforming public and private pension systems in both countries – which have failed to create a greater degree of sustainability of income provision in retirement for the state, for employers or, most importantly, for future retirees.

The banking and economic crisis which started in the autumn of 2008 is outside the time-frame of this projects. No doubt the economic climate will impose further challenges and add to demands on government resources, shrinking tax revenues and putting pressure on benefit systems due to mass unemployment. Under these conditions, traditional ambitions and objectives of welfare state intervention might need further adjustment. Will these different contexts alter social attitudes towards public and non-statutory forms of social protection, as well as perceptions of fairness, social justice and solidarity? It is too soon to tell.

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Bridgen, P. and Meyer, T. (2008) 'Politically Dominant but Socially Flawed: Projected Pension Levels for Citizens at Risk in Six European Multi-pillar Pension Systems', in Seeleib-Kaiser, M. (ed) *Welfare State Transformations: Comparative Perspectives*, Palgrave Macmillan, Basingstoke, 111–131.

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Methodology

Quantitative data

The quantitative data used for this project comes from various sources.

For the UK, data from the British Social Attitudes (BSA) survey was analysed. This annual survey provides individual data on the social attitudes of UK citizens. Comparable sources and data for Germany do not exist, so a representative survey 'Justice in the Welfare State' was conducted in Germany by the professional survey organisation, IPSOS, in spring 2007. This CATI-design telephone survey with 1000 respondents consisted of a replication of questions from various waves of the BSA (mostly from the 2000 and 2004 waves). Respondents were aged 16 and older.

Wherever possible other cross-country data sets were used for analysing the attitudes towards the welfare state; and the European Social Survey (ESS, 2002/2003) was used as a source of information on the relationship between ethnic diversity and welfare state support.

Focus groups

Focus group interviews were conducted in both countries in January 2008. There were six focus groups in Germany and eight in the UK, with an average of ten participants (range: 8–11 persons). In Germany the groups were held in Hamburg and Cologne; in the UK in London and Birmingham.

Each group consisted of women and men equally, and only citizens of the respective country were invited to take part. For the UK focus groups there was a quota ensuring that people of different ethnicities participated in the groups. For the German groups the migratory background of the respondents was taken into account to ensure that migrants were represented within the groups. The groups were separated by the economic status of the participants, who were divided according to the quality of their occupation, taking into account their education and training, the amount of responsibility they held and their current position.

Selection was based on occupation and the amount of autonomy and responsibility the participants have in their job. First the participants were classified according to the SOC2000 UK National Statistics occupational grouping. A dichotomous scheme was then

used to split participants into two groups: those with (highly) skilled 'non-routine' jobs with relatively high responsibility; and those with low-skilled 'routine' jobs.

This classification meant that it was possible to distinguish people with non-routine occupations with a certain amount of autonomy in their work and also middle to upper class lifestyles, from those with routine occupations (i.e. those with low-skilled and low-paid jobs and who are at relatively high risk of job loss and unemployment). The non-routine groups consisted of participants working as, for example, school teachers or upper or high-ranking public servants. Participants of the routine groups were typically sales assistants, porters or waiters/waitresses.

In both countries half the groups comprised participants with non-routine jobs and the other half participants with more routine occupations. In both countries half the groups consisted of respondents aged between 20 and 45 years, the other half respondents aged 46 years and over. These conditions ensured conversations among peers and people from similar social background.

The groups were facilitated by a professional from a survey organisation. Focus group meetings were recorded and transcribed, and then analysed by theme and by the arguments used by the various participants in their interactions to explain and justify particular positions.

Qualitative Comparative Analysis

Qualitative Comparative Analysis (QCA), employed during the detailed study of company-based family-related policies, is an analytic technique that uses Boolean algebra to implement principles of comparison in the qualitative study of macro-social phenomena. Qualitative studies usually examine only a few cases at a time, but the analyses are intensive (i.e. addressing many aspects of cases). Such studies are also integrative, in that they examine how the different parts of a case fit together, both contextually and historically.

Implementing QCA enables researchers to draw wider conclusions more accurately from a relatively small (though detailed) data set.

Micro-simulations

Table M.1 presents the assumptions made for the micro-simulations performed in order to investigate the likely future prospects of current workers.

Table M.1
Assumptions relating to micro-simulation (risk biographies)

Illustrative biographies						
	Gender	Age when starting work	Working-time income in relation to national average	Ages at which part-time work is undertaken	Gaps in labour market participation	Age at retirement, in 2054
1	Female, 2 children	18	0.5	26, 29–64	24–25, 27–28	65
2	Female, 2 children	20	1	26, 29–64	24–25, 27–28	65
3	Female, 1 child	24	1.5	34–35	32–33	65
4	Male	18	0.5	None	None	65
5	Male	20	1	None	None	65
6	Male	24	1.5	None	None	65

Economic data:

- Average gross annual earnings in industry and services in 2005 of full-time employees in enterprises with 10 or more employees. (Source: <http://epp.eurostat.ec.europa.eu>)
- Inflation: 1.9%, EU. (Source: www.ecb.int/mopo/html/index.en.html)
- Gross earnings: annual rise 2% above inflation
- Exchange rate: 25/07/07: 1 GBP=1.49 €
- Social inclusion threshold: 40% of average wages
- Pensions
- Rules and stipulations of public pension regime as valid in 2004
- Rules and stipulations of selected occupational schemes as valid in 2007
- Simulations exclude tax and social insurance contributions or benefits. Gross earnings used for calculation of pension entitlement; pensions: gross figures.