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Convergence Towards Where:

In What Ways, If Any, Are Welfare States Becoming

More Similar?

by Peter Starke, Herbert Obinger and Francis G. Castles

Abstract

This article examines whether or not OECD welfare states have converged since 1980. Making use of a variety of concepts of convergence, we analyze the development of a broad range of quantitative welfare state indicators, including several expenditure-based indicators, revenue patterns, benefit replacement rates and decommodification. Contrary to what one might expect from much of the theoretical literature, we find that, although there is evidence of moderate welfare state convergence, it is limited in magnitude, various in directionality and contingent upon the indicator under examination. Overall, our findings do not provide any strong evidence either for a race-to-the-bottom or for the Americanization of social policy, the two most common convergence scenarios encountered in supposedly informed public policy commentary.

Key words: convergence, globalization, welfare state indicators, revenue patterns, decommodification.

1. Introduction[1]

This paper is in search of the big picture. Its main objective is to map the broad trajectories of welfare state change in advanced OECD countries over recent decades. In particular, we are interested in examining whether or not relatively similar problem pressures have given rise to obvious signs of cross-national convergence of welfare states and, if so where that convergence trend is leading us. It is widely acknowledged among scholars of the welfare state that an ever more competitive economic environment, changing demographics, new social risks associated with changing work and family patterns, increasing public debt, the end of full employment and declining economic growth have put advanced welfare states under strain (cf. Alber 2002: 6-14). There is, however, much dispute as to the precise repercussions of these challenges for mature welfare states in the OECD world. Different scenarios are depicted in the theoretical literature and the existing empirical evidence indicates apparent inconsistencies with respect to the ways in which advanced welfare states have responded to these mounting pressures. (← p. 975)

Following Knill, we define policy convergence "as any increase in the similarity between one or more characteristics of a certain policy […] across a given set of political jurisdictions […] over a given period of time". (Knill 2005: 768). Thus, we need to specify the policy, the set of political jurisdictions and the time period under consideration. Since the welfare state is an "umbrella term covering a range of governmental activities that have distinctive characteristics" (Pierson 2001: 11), we focus on a broad set of widely accepted output and outcome indicators. By doing so, we attempt to bring together pieces of a jigsaw of evidence

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[1] We are grateful to two anonymous referees for extremely helpful comments.

hitherto discussed separately. Such a comprehensive approach is not only lacking in the previous literature but is, in the light of the prevailing dependent variable problem in comparative welfare state research (Clasen/Siegel 2007), also imperative in order to obtain a more balanced analysis of recent developmental trajectories in mature welfare states. Relying on the latest available data, we examine recent developments in (i) social spending, including aggregate and disaggregated measures (ii) welfare state funding, (iii) benefit generosity and (iv) decommodification. All these indicators are quantifiable and thus permit a relatively straightforward examination of the different convergence measures described in Section 3 below.

The set of political jurisdictions examined here consists of about 18-21 advanced OECD democracies, which are analyzed over the period between 1980 and the early 2000s[2]. The reason our analysis starts in 1980 is not only influenced by data availability, but also by the fact that the 'Golden Age' of welfare capitalism is widely seen to have peaked at or around that time. Since then, the international political economy has undergone major transformations that, arguably, have put mature welfare states under very considerable strain (Scharpf 2000). The resulting problem pressures are often identified as factors driving the convergence process. In any case, studying convergence requires a comparative research design capable of analysing social policy changes over longish periods of time, since much social policy reform takes effect over the long-run, with change typically occurring in an incremental fashion and welfare states frequently behaving in a manner akin to 'elephants on the move' (Hinrichs 2001; Hinrichs and Kangas 2003).

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[2] We have tried to use the most recent available data in all cases. For some indicators, this means that the analysis ends in 2002, while others are available for 2003 or even 2004.

This article is organized as follows. We commence with a brief account of different scenarios of cross-national convergence and non-convergence found in the current literature. A number of theories predict welfare state convergence, although for different reasons. We provide an overview of the causes and causal mechanisms underpinning these different accounts. Section 3 then introduces different convergence concepts and discusses ways to measure them empirically. In Section 4, we use these measures as means of identifying convergence trends for a broad set of welfare state indicators. The final section concludes.

2. Convergence, Persistence or Divergence? Scenarios and Causes

A variety of convergence scenarios can be found in the comparative welfare state literature. However, the imputed causes of such trends differ markedly, as does the expected direction of change (upwards vs. downwards). There is also a variety of theoretical perspectives from the mainstream of comparative welfare state research, which predict not convergence, but persisting difference or even (**← p. 976**) increasing divergence. Again, there is no consensus as to why this should be the case, with a range of factors adduced to explain non-convergence. The different scenarios are depicted in Table 1.

2.1 Convergence

Our classification of causal factors triggering convergence derives from Holzinger and Knill's taxonomy identifying five factors potentially conducive to convergence tendencies, namely independent problem-solving, transnational communication, international harmonization, regulatory competition and imposition (Holzinger and Knill 2005).[1]

The study of convergence processes is by no means a new theme in welfare state research. The earliest analyses date back to the structural-functionalism of the 1950s and 1960s. Here, the driving force of convergence was conceived of as a common industrialization process leading to a similar range of social needs requiring independent attention in each country (see Wilensky and Lebeaux 1958; Kerr et al. 1960; Wilensky 1975). More recent neo-functionalist studies have switched their attention to the 'new social risks' resulting from deindustrialization, the erosion of traditional family structures, the emergence of atypical work patterns and post-industrial demographic shifts (Iversen and Cusack 2000; Taylor-Gooby 2004; Armingeon and Bonoli 2006). These risks are seen as producing a similar set of problems in all advanced OECD-countries, requiring similar but independent policy responses of governments irrespective of partisan differences. Both the old and new functionalism share the expectation that increased problems will lead to increased welfare inputs: that convergence will be upwards rather than downwards.

In contrast to functionalist convergence scenarios stressing independent problem-solving, a more recent approach highlights convergence in social policy resulting from policy learning and imitation fostered through transnational policy networks. So-called 'soft' mechanisms, such as the European Union's Open Method of Co-ordination (OMC) (Mosher and Trubek 2003), but also policy promotion and benchmarking procedures of international organizations such as the OECD (see Armingeon and Beyeler 2004) and the World Bank (see World Bank 1994; Orenstein 2005), figure centrally in this analysis. In this scenario, the key mechanisms driving policy convergence are transnational communication and the exchange of policy ideas. As to the direction of policy change, the 'soft' mechanisms literature does not offer strong assumptions on whether we should expect an upwards or downwards convergence.

A third potential cause of convergence is legal harmonization linked to the process of European integration and the resulting growth of European law in the realm of social policy. Two main channels are relevant for supranational harmonization: a 'positive integration' secured by means of binding European Union legislation and a 'negative integration' resulting from the judicial imposition of market compatibility requirements (Leibfried and Pierson 1995; Leibfried 2005; Scharpf 1999). Despite the undeniable progress that has been made in the realm of positive integration over the past two decades, most authors (← **p. 977**) agree that there is still a significant asymmetry in favour of negative integration (Scharpf 1999, 2002). The net effect of both types of European integration on the direction of social policy harmonization is, however, unclear.

Table 1: Welfare State Convergence and Divergence: Scenarios and Causal Factors

Result	Causes	Examples	Direction of change	Authors (e.g.)
Convergence	Similar problem pressure	(De-)Industrialization, demographic changes, new social risks	Upwards	Wilensky, Iversen/Cusack, Taylor-Gooby
	Imitation and policy learning	OMC, OECD and World Bank	Unclear	Mosher/Trubek, Orenstein
	Legal harmonization	EU: positive and negative integration	Unclear	Leibfried/Pierson, Scharpf
	Regulatory competition	Race to the bottom	Downwards	Tanzi, Sinn
Persistence/Divergence	Political-institutional factors	New Politics	Status quo	Pierson
		Old Politics	Unclear	Huber/Stephens, Korpi/Palme, Swank; Garrett, Castles
		Varieties of capitalism	Bifurcated	Hall/Soskice

(← **Table 1 p. 978**)

The fourth convergence scenario predicts a decline in social standards paralleled through convergence towards a residual or 'liberal' model of social provision as a consequence of international regulatory competition. Against the backdrop of economic globalization and the European common market, governments are caught in a downward spiral ('race to the

bottom'), reducing tax burdens and levels of regulation to attract mobile capital or to counter supposed threats of capital exit (Sinn 2002; Tanzi 2002; cf. Mosley 2003). In a nutshell, governments have to respond to the anonymous market forces unleashed by globalization. This is the Margaret Thatcher 'There Is No Alternative (TINA)' scenario.

2.2 Persistence and Divergence

However, the 'mainstream' in comparative welfare state research is far from convinced about claims that welfare states have a strong tendency to become more similar. Globalization, European integration and policy learning often play only a minor role in such analyses. Instead, path dependency, domestic politics and country-specific problem pressures are seen as crucial in explaining the persistence of the existing policy variation or even as forces making for further welfare state divergence. The three most influential schools of thought are the classic 'old politics' theory of policy determination and two more recent strands, the 'new politics of the welfare state' on the one hand and the growing 'varieties of capitalism' literature on the other.

According to the 'old politics' approach, socio-economic problems do not necessarily lead to convergence, since problem pressure always requires political mediation. Distinct national patterns of reaction therefore, follow automatically from differences in institutional configurations and, in particular, the partisan balance of power. Hence, variables such as the partisan composition of government, institutional veto positions and the cooperation of state and interest groups play a crucial role in this type of analysis (Garrett 1998; Huber and Stephens 2001; Swank 2002; Korpi and Palme 2003). In consequence, 'old politics' scholars

do not expect a race to the bottom triggered by globalization, but divergent responses triggered by different institutional and political contexts.

A similar conclusion can be drawn from the varieties of capitalism approach which calls into question the notion that globalization drives all economies towards a uniform market model. Instead of a run towards deregulation, Hall and Soskice (2001: 58) rather predict 'a bifurcated response marked by widespread deregulation in liberal market economies and limited movement in coordinated market economies'.

Paul Pierson (1994, 1996, 2001), the most important representative of the 'new politics' school, argues that the welfare state is largely immune against radical retrenchment and a race to the bottom. However, in his account, welfare state resilience cannot be attributed to political power resources and ideological orientations, but is rather a consequence of institutional rigidities and a new (← p. 979) logic of policymaking. The options and strategies of contemporary political elites differ fundamentally from those typical of the 'Golden Age' of the welfare state: the logic of policy-making is driven by a politics of blame avoidance that restrains politicians from trying to retrench the welfare state, given that such efforts invite electoral retribution. Furthermore, radical reforms frequently fail because of the 'institutional stickiness' of existing welfare state institutions and/or the density of institutional veto points in the political system. As a result of external problem pressure, authors inclined to the 'new politics' approach expect neither radical change nor convergence, but rather incremental, path dependent reform shaped by domestic political and institutional forces (see Starke, 2006).

To sum up, we encounter a variety of convergence scenarios in the literature, but also influential schools of thought hypothesizing the persistence of existing cross-national variation

or even the emergence of new dimensions of divergence. In Section 4 below, we analyze to what extent the development of social policy in OECD countries conforms to these expectations. In this analysis, we are interested not only in the increasing or decreasing similarities of policy outputs and outcomes, but also in the direction of change: that is, whether changes over recent decades have led to an expansion or contraction (i.e. retrenchment) of the welfare state.

3. Types of Convergence

In general, convergence denotes increasing similarity of policies over time. However, convergence is a multi-faceted concept with several types of convergence distinguished in the literature (for an overview, see Knill 2005: 768-69; Heichel at al. 2005: 831-34). The most common approach to gauging convergence is to compare the variation of policies at two points in time. A decline in statistical measures of dispersion, such as the range, the standard deviation and coefficient of variation, is denoted as σ-convergence (*sigma*-convergence) (Barro and Sala-i-Martin 1992). We use the Levene test for equality of variances in different samples to assess the statistical significance of homogeneity of variance over time. The idea is that strong convergence should lead to significant differences in the variance over time.

While σ-convergence focuses on cross-sectional dispersion, β-convergence (*beta*-convergence) denotes an inverse relationship between the initial value of a particular policy indicator and its subsequent growth rate or change. The latter is a necessary but not a sufficient condition for the former to occur (see Barro and Sala-i-Martin 1995: 31-32.). A simple test for β-convergence is to regress the starting value of a particular policy indicator on its subsequent growth rate (or change) for the period of interest. If the estimated coefficient for the initial

value has a negative sign and is statistically significant, then there is evidence of β-convergence. This concept of convergence is thus equivalent to catch-up by policy laggards. In this paper, we use a similar catch-up measure, **(← p. 980)** namely, a simple correlation (Pearson's r) between the starting value and the subsequent growth rate.

In order to examine the implication of the TINA-hypothesis, that, since sometime in the 1980s, all western welfare states have been forced by problem pressure to adopt a single line of march in a neo-liberal direction, we need to introduce a final convergence concept: that of δ-convergence (*delta*-convergence). This type of convergence refers to changes in a country's distance from an exemplary model (Knill 2005: 769). Such a concept is required because 'policies may approach the model by parallel moves without becoming more similar' (Heichel et al. 2005: 833). Hence, δ-convergence does not necessarily coincide with σ-convergence. The concept of δ-convergence can be fruitfully applied to the welfare state. In particular, it can be used to examine the extent to which it is reasonable to speak of a race to the bottom. Since such a scenario is often discussed in terms of the Americanization of social policy, we use the American case as a reference point and investigate whether or not other nations have converged towards this model over time.

Finally, we should note that the econometrics literature also identifies a further concept of conditional beta convergence, where increasing similarity amongst cases is only identifiable after controlling for a range of independent variables known to be associated with the phenomenon in question. In this paper, we do not seek to systematically model conditional beta convergence because the complexity of the analysis required would restrict our capacity to survey outcomes across the broad range of policies necessary to establish the presence or absence of a general tendency for nations to become more similar in their policy profiles. In

other words, our paper deliberately makes a trade-off between depth and breadth of analysis. There are, however, a few obvious instances where controls are important, most particularly in areas relating to the demographics of social policy development. In this paper, we have dealt with these instances in another way: by looking not only at convergence trends in expenditure programmes such as pensions and unemployment (see Table 4 below), but also at replacement rates for both age cash and unemployment cash benefits (see Table 6), thereby removing the influence of the substantial demographic differences in OECD age and employment structures.

4. Empirical Analysis

4.1 The Development of Social Expenditure

4.1.1 Total Social Expenditure

The trajectory of social expenditure between 1980 and 2003 suggests that the welfare state is *not* on the retreat. On the contrary, social expenditure increased in all but two countries, with Table 2 showing an average increase over 23 years of well over four percentage points of GDP. Moreover, the salience of the welfare state has also increased relative to other state functions (Castles 2001, 2006). We measure salience by social expenditure's share in total (← **p. 981)** expenditure. In 2003, the average ratio was higher than 13 years previously. Given the decline of total public expenditure in many OECD countries in the recent past, it seems that the welfare state has crowded out public expenditure devoted to other purposes (see Castles 2007 for a nuanced analysis).

Table 2: Public Social Expenditure as a Percentage of GDP and as a Percentage of Total Government Outlays in 21 Countries, 1980 and 2003

|	Social expenditure as a percentage of GDP				Social expenditure as a percentage of total government outlays		
	1980	1990	2003	1980-2003	1990	2003	1990-03
Australia	10.9	14.1	17.9	7.0	39.7	51.1	11.4
Austria	22.6	23.7	26.1	3.5	46.0	51.1	5.1
Belgium	23.5	25.0	26.5	3.0	47.9	51.9	4.0
Canada	14.1	18.4	17.3	3.2	37.7	42.0	4.3
Denmark	25.2	25.5	27.6	2.4	45.6	49.9	4.3
Finland	18.4	24.5	22.5	4.1	51.0	45.1	-5.9
France	20.8	25.3	28.7	7.9	51.2	53.9	2.7
Germany	23.0	22.5	27.3	4.3	51.6	57.0	5.4
Greece	11.5	18.6	21.3	9.8	47.6	54.3	6.7
Ireland	16.8	15.5	15.9	-.9	36.0	47.5	11.5
Italy	18.0	19.9	24.2	6.2	37.6	50.1	12.5
Japan	10.3	11.2	17.7	7.4	35.2	46.1	10.9
Netherlands	24.1	24.4	20.7	-3.4	44.5	44.0	-.5
New Zealand	17.1	21.8	18.0	.9	41.0	46.4	5.4
Norway	16.9	22.6	25.1	8.2	42.4	52.0	9.6
Portugal	10.8	13.7	23.5	12.7	34.0	51.7	17.7
Spain	15.5	20.0	20.3	4.8	46.7	53.1	6.4
Sweden	28.6	30.5	31.3	2.7	49.8	53.7	3.9
Switzerland	13.9	13.5	20.5	6.6	45.0	55.9	10.9
UK	16.6	17.2	20.1	3.5	40.6	54.8	14.2
USA	13.3	13.4	16.2	2.9	36.1	44.1	8.0
Mean	**17.7**	**20.1**	**22.3**	**4.6**	**43.2**	**50.3**	**7.1**
Range	**18.3**	**19.3**	**15.4**	**-**	**17.6**	**15.3**	
Standard deviation	**5.3**	**5.2**	**4.5**		**5.7**	**4.3**	
Coefficient of variation	**.30**	**.26**	**.24**	**-**	**.13**	**.09**	
Catch-up				**r = -.54***			**r = -.70****

Note: * = level of significance < .05; ** = level of significance < .01.
Source: OECD (2006a; 2007).

The rise in social expenditure was paralleled by convergence. All statistical measures of dispersion displayed in the lower part of Table 2 are declining and, therefore, are in a direction suggestive of σ-convergence. This also holds for the relative weight of the welfare state as calculated by the share of social expenditure in total public spending. However, according to the Levene test, **(⟵ p. 982)** the decline in the measures of dispersion does not contribute to significant differences in the variance over time (i.e. the null hypothesis assuming variance homogeneity cannot be rejected) and this also holds for all other variables examined in this paper unless otherwise indicated in the tables. Our conclusion here, as subsequently where this

occurs, is that our findings are potentially indicative of a convergence trend as yet not unequivocally established by the data.

We do, however, find evidence of absolute β-convergence of social expenditure. This is indicated by the negative sign of the correlation between the initial expenditure level and the average annual growth rate (catch-up indicator) reported in the bottom row of Table 2. Moreover, a simple bivariate regression of spending level in 1980 on the growth rate of social expenditure between 1980 and 2003 (not shown) reveals a negative and statistically significant coefficient for the initial spending level. This baseline model explains almost half of the variance of spending dynamics.[2] Along with the estimated negative coefficient this suggests that cross-national variation in social spending growth is substantially driven by a catch-up process. This is graphically illustrated in Figure 1, which shows that spending growth was highest in the countries that had been in the rearguard of the international spending league in 1980 (r=-.70).

Figure 1: Average annual social expenditure growth (in %), 1980-2003
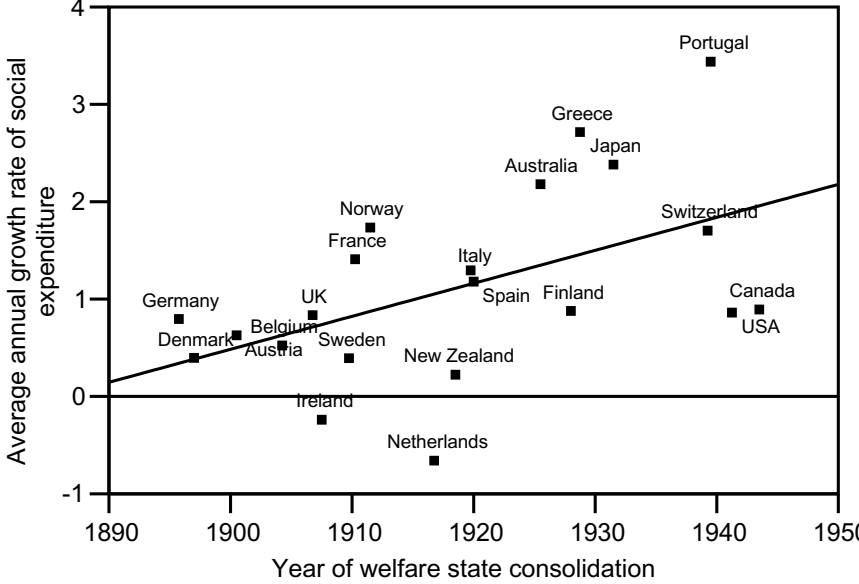

Source: OECD (2006a).

14
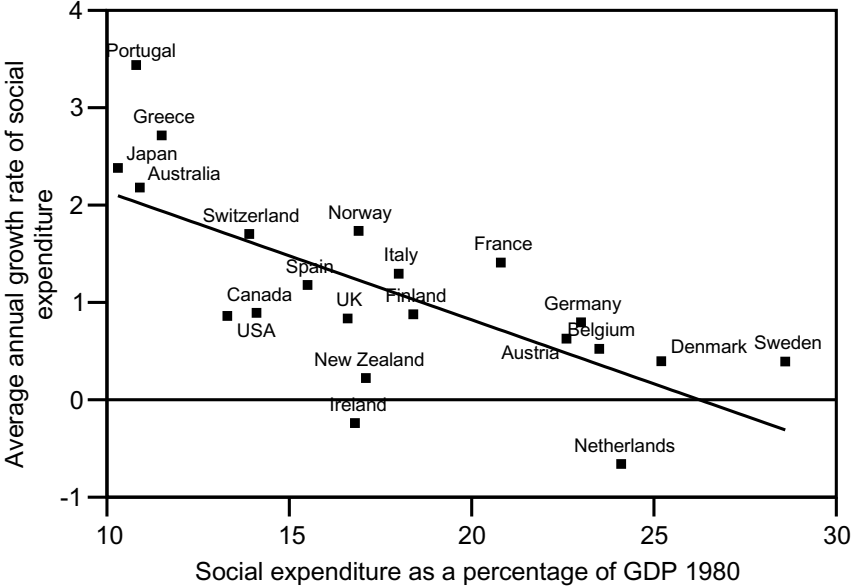
An alternative test for catch-up is to examine the relationship between the temporal adoption of core social programmes and the recent growth of social expenditure. The underlying assumption here is that contemporary social spending levels are, among other things, likely to be a function of the earliness of welfare state consolidation, which, in turn, is a proxy for the degree of maturation of contemporary welfare states. This line of reasoning is not new. Indeed, it was a major theme of earlier functionalist research (Wilensky 1975; Flora 1986). Functionalism suggests that we should expect an inverse relationship between the adoption of major social programmes and the recent growth of social expenditure, with laggards in programme adoption manifesting higher expenditure growth. Figure 2, which plots the growth rate of social expenditure over the past two decades against the average date at which four core social security programmes (old age pensions, health insurance, work injury and unemployment compensation) were introduced at the national level, is consistent with this maturation hypothesis. As expected, social expenditure growth is higher in welfare state laggards with the notable exception of the welfare states of North America (r=.51). In analogy to neoclassical growth theory, it can be argued that mature welfare states steady states have converged towards a steady state (Iversen 2001; Kittel and Obinger 2003; Castles 2004), with remaining differences determined by past national power constellations and distinct historical paths.

Overall, we can conclude that aggregate social expenditure levels are converging. This is evident from the (moderate) decline in the dispersion of spending levels over time, which, in turn, is driven by the strong catch-up exhibited by the spending laggards. Hence, we find evidence that potential σ-convergence and **(⬅ p. 983)** established β-converge coincide. With respect to the direction of change, social expenditure levels have increased, both in absolute

and relative terms, evidence running directly counter to the expenditure variant of the 'race to the bottom' hypothesis (see Castles 2004).

Figure 2: Average annual social expenditure growth (in %), 1980-2003 and welfare state consolidation

Source: OECD (2006a.) Data for the temporal adoption of the four programmes are taken from Schmidt (2005).

4.1.2 Social Expenditure in Cash and In-kind

Turning now to the pattern of expenditure convergence at a more disaggregated level, we first test to what extent the relationship between social expenditure in cash and in kind has changed over time and whether there has been convergence during the 1980 to 2003 period. The question as to whether expenditure is provided in cash (i.e. via income transfers) or in-kind (i.e. in the form of services) is not a trivial one. Indeed, one of the defining characteristics of welfare state regimes is the role of transfers and services in a particular national 'welfare mix'. Usually, the main distinction emphasised is that between transfer-heavy continental European welfare states and the service-oriented Nordic countries. Recently, the balance between services and cash has attracted increased attention in the literature, given the supposed role of

in-kind provision in meeting 'new' challenges such as declining birth-rates, long-term care and new forms of employment and family structures.

Table 3 presents transfer and service expenditure data (as percentages of GDP) for 21 OECD countries for the years 1980 and 2003. A number of observations are relevant here. The first basic conclusion that can be drawn from the table is that – as for total public expenditure – there is no empirical evidence for a 'race to the bottom'. Granted, a number of countries have reduced expenditure in cash – namely Belgium, Denmark, Ireland, the Netherlands, New Zealand, the UK and the USA – while Ireland alone has marginally reduced its in-kind expenditure. These, however, are exceptions. Table 3 shows that average OECD levels of both income transfers and in-kind benefits have increased – by 1.7 and 3.0 percentage points of GDP, respectively. At the same time, the average service/cash ratio has tilted towards services, from .59 to .75 (not shown in the table).

Have countries converged with respect to public social expenditure in cash and in-kind? The balance of the evidence suggests such a trend. All convergence indicators for both measures – the range, standard deviation and coefficient of variation – have diminished between 1980 and 2003. As in the case of total public social expenditure, there is evidence of a potential trend toward σ-convergence, with the degree of convergence slightly stronger for service expenditure than for cash transfers (as can be seen in the reduction of the coefficient of variation). Again, however, this change in variance is not significant at conventional levels. On the other hand, the negative and significant correlation coefficients in the last row of Table 3 indicate that moderate β-convergence, or catch-up, is clearly occurring. Countries with high initial spending on cash benefits, such as Belgium and the Netherlands, have frozen or even reduced transfer expenditure, whereas 'cash transfer laggards', such as Australia, Canada and

Japan, have experienced above-average growth in transfer expenditures as percentages of GDP. The same holds true for social services: Expenditure growth in Sweden and other 'social (← p. 984) service states' remained low during this period, while the laggards of Southern and Continental Europe have substantially expanded their commitment to in-kind provision.

Table 3: Public Social Expenditure in Cash and in Kind as Percentages of GDP in 21 Countries, 1980 and 2003

	Public social expenditure in cash			Public social expenditure in kind		
	1980	2003	Change	1980	2003	Change
Australia	6.2	8.8	2.6	4.7	9.1	4.4
Austria	16.5	18.8	2.3	6.1	7.3	1.2
Belgium	18.0	16.4	-1.6	5.5	10.1	4.6
Canada	5.8	7.4	1.6	8.3	9.9	1.6
Denmark	14.4	14.1	-.3	10.8	13.5	2.7
Finland	10.4	12.2	1.8	8.0	10.3	2.3
France	13.9	17.3	3.4	6.9	11.4	4.5
Germany	15.3	16.3	1.0	7.7	11.3	3.6
Greece	7.7	14.5	6.8	3.8	6.8	3.0
Ireland	8.7	8.5	-.2	8.1	7.4	-.7
Italy	12.2	16.5	4.3	5.8	7.7	1.9
Japan	5.4	9.7	4.3	4.9	8.0	3.1
Netherlands	17.3	11.6	-5.7	6.8	9.1	2.3
New Zealand	11.2	10.2	-1.0	5.9	7.8	1.9
Norway	9.6	12.9	3.3	7.3	12.2	4.9
Portugal	7.2	14.7	7.5	3.6	8.8	5.2
Spain	11.0	13.1	2.1	4.5	7.2	2.7
Sweden	14.0	15.5	1.5	14.6	15.8	1.2
Switzerland	9.8	12.0	2.2	4.1	8.5	4.4
UK	9.9	9.7	-.2	6.7	10.4	3.7
USA	8.5	8.4	-.1	4.8	7.8	3.0
Mean	**11.1**	**12.8**	**1.7**	**6.6**	**9.5**	**2.9**
Range	**12.6**	**11.4**		**11.0**	**9.0**	
Standard deviation	**3.8**	**3.3**		**2.6**	**2.3**	
Coefficient of variation	**.34**	**.26**		**.39**	**.24**	
Catch-up			**r = -.54***			**r = -.45***

Note: * = level of significance < .05.
Source: OECD (2006a).

4.1.3 Programme-related Spending Categories

Breaking down total social expenditure into programme-related spending categories provides a more nuanced picture of welfare state expenditure. Table 4 provides data on public spending levels for old age and survivors' pensions, health, and unemployment cash benefits as well as on in-kind spending on families. Pensions and health have been chosen on the basis of their

size – they **(← p. 985)** attract the bulk of the financial resources devoted to social policy purposes in most advanced welfare states – while the reason for studying the development of unemployment cash benefits and in-kind family spending is theoretically determined.[3] Some authors suggest that downwards expenditure convergence – in other words, a race to the bottom – is most likely to occur in the area of unemployment transfers where mobilization of popular opinion against cutbacks is likely to be more difficult than in other programme areas (Korpi and Palme 2003: 431). As already mentioned in the previous section, in-kind spending has received more attention in recent years because of its connection with the issue of 'new social risks'. Expanding family services is regarded as a potential means to stem the trend of falling birth rates in OECD countries. In this area of policy, we would, therefore, expect not a race to the bottom, but rather a convergence to the top or a catch-up movement as countries experience this phase of 'post-industrial' structural transformation.

The analysis of disaggregated spending data reveals not only that all spending categories continued to grow on average, but also that there is evidence of potential convergence in two of the four programme areas studied, namely health and unemployment spending. Most indicators of σ-convergence decreased markedly between 1980 and 2003, although, as ever, the changes are insignificant according to the Levene test.

Spending on pensions manifest a quite different pattern. Here, we find evidence not of σ-convergence but of *divergence* and, for once, the Levine test indicates that the differences in variance are statistically significant despite the relatively small number of cases. Interestingly, there is no substantial absolute β-convergence in the field of public pensions, the biggest welfare state programme of them all. Yet, as expected, conditional β-convergence occurs, if one runs a regression that controls for the age structure of the population[4]. This latter is indicative of the immense task that remains for the pension reform agenda in precisely those

countries where the need for reform is most clearly demonstrated by continuingly high levels

of expenditure.

Table 4: Social Expenditure Devoted to Different Programmes as Percentages of GDP in 21 Countries, 1980 and 2003

	Pensions			Health			Unemployment			Family		
	1980	2003	Change	1980	2003	Change	1980	2003	Change	1980	2003	Change
Australia	3.7	4.1	.4	4.3	6.2	1.9	.7	.7	.0	.1	.7	.6
Austria	10.7	13.2	2.5	5.1	5.1	.0	.4	1.0	.6	.3	.6	.3
Belgium	8.9	9.3	.4	5.2	7.2	2.0	2.4	3.3	.9	.2	1.0	.8
Canada	3.0	4.4	1.4	5.2	6.8	1.6	1.2	.8	-.4	.1	.2	.1
Denmark	7.1	7.2	.1	5.5	5.6	.1	4.8	3.3	-1.5	1.7	2.3	.6
Finland	6.0	6.4	.4	5.0	5.7	.7	.7	2.1	1.4	.8	1.4	.6
France	9.6	12.3	2.7	5.6	7.6	2.0	.0	1.8	1.8	.2	1.6	1.4
Germany	10.9	11.7	.8	6.8	8.0	1.2	.5	1.8	1.3	.5	.7	.2
Greece	6.0	12.3	6.3	3.7	5.0	1.3	.2	.4	.2	.0	.4	.4
Ireland	5.7	3.7	-2.0	6.8	5.6	-1.2	n.a.	1.0	n.a.	.1	.2	.1
Italy	8.9	13.9	5.0	5.5	6.2	.7	.6	.4	-.2	.1	.6	.5
Japan	4.0	9.3	5.3	4.5	6.1	1.6	.5	.4	-.1	.3	.4	.1
NL	6.7	5.8	-.9	5.0	5.8	.8	1.6	1.6	.0	.5	.8	.3
NZ	7.1	4.5	-2.6	5.1	6.3	1.2	.5	.8	.3	.0	.4	.4
Norway	5.7	7.3	1.6	4.9	6.5	1.6	.4	.7	.3	.6	1.5	.9
Portugal	4.1	10.4	6.3	3.6	6.7	3.1	.3	1.1	.8	.0	.9	.9
Spain	6.3	8.5	2.2	4.2	5.2	1.0	2.0	2.2	.2	.1	.6	.5
Sweden	8.4	10.8	2.4	8.3	7.1	-1.2	.4	1.2	.8	2.2	1.9	-.3
CH	6.1	7.2	1.1	3.6	6.0	2.4	.1	1.0	.9	.0	.4	.4
UK	6.0	6.1	.1	4.9	6.7	1.8	1.1	.3	-.8	.5	.7	.2
USA	6.3	6.3	.0	3.7	6.7	3.0	.7	.5	-.2	.3	.6	.3
Mean	**6.7**	**8.3**	**1.6**	**5.1**	**6.3**	**1.2**	**1.0**	**1.3**	**.3**	**.4**	**.9**	**.5**
Range	**7.9**	**10.2**		**4.7**	**3.0**		**4.8**	**3.0**		**2.2**	**2.1**	
SD	**2.1**	**3.2†**		**1.1**	**.8**		**1.1**	**.9**		**.6**	**.6**	
CV	**.31**	**.39**		**.22**	**.13**		**1.10**	**.70**		**1.38**	**0.67**	
Catch-up			**r = - .07**			**r= - .76****			**r= - .58****			**r = -.30**

Note: * = level of significance < .05; ** = level of significance < .01.
† = The Levene test rejects the null-hypothesis assuming equality of variances (p= .027).
Pension = old age + survivors' pensions; health = public health expenditure; unemployment = unemployment cash benefits; family = in-kind spending on families.
Source: OECD (2006a).
(← **Table 4 p. 986, 987**)

4.2 Welfare State Funding

When we shift attention from expenditures to revenues, we find a picture that is roughly

similar in terms of increasing levels of public commitment, albeit somewhat less indicative of

pronounced convergence tendencies. Table 5 presents figures for the development of social

security contributions, total taxation (both expressed as a percentage of GDP) and the

contribution/tax ratio between 1980 and 2004. Note that from the outset, variation in the revenue-mix of different welfare states has been substantial. Some countries finance a large part of social expenditure through earmarked social contributions, whereas other welfare states are funded more or less exclusively through taxation. There are, however, reasons to expect particularly strong globalization pressures on social contributions. Since contributions make up the largest component of non-wage labour costs, the globalization hypothesis implies that the need for downsizing will be particularly acute in this area and, hence, strongly conducive to downward convergence (Scharpf 2000). **(⟵ p. 988)**

In fact, the figures in Table 5 tell a quite different story. Average levels of total taxation relative to GDP have actually increased across the OECD. Moreover, social security contributions have also increased, and, since both taxes and contributions have increased, the ratio between social security contributions and total tax revenues has remained remarkably stable over time. However, cross-national variation in funding patterns has declined somewhat, as some (but not all) of the indicators of σ-convergence suggest. Moreover, a moderate and significant catch-up movement has occurred in the case of total taxation levels. Overall, the revenue figures analysed here suggest that increases in social spending were apparently not financed by larger budget deficits, but by increased taxes and contributions (Navarro et al 2004). This is scarcely surprising. For the EU member states, the Maastricht Treaty made deficit spending less and less feasible, while increasing financial market integration was, arguably, a factor in extending fiscal rectitude throughout the OECD.

Table 5: Welfare State Funding in 21 Countries, 1980 and 2004

	Total taxation as a percentage of GDP			Social security contributions as a percentage of GDP			Social security contributions as a percentage of total taxation		
	1980	**2004**	**Change**	**1980**	**2004**	**Change**	**1980**	**2004**	**Change**
Australia	26.6	31.2	4.6	.0	.0	.0	.0	.0	.0
Austria	39.0	42.6	3.6	12.1	14.4	2.3	31.0	33.8	2.8
Belgium	41.3	45.0	3.7	11.9	14.1	2.2	28.8	31.3	2.5
Canada	31.0	33.5	2.5	3.3	5.1	1.8	10.7	15.2	4.5
Denmark	43.1	48.8	5.7	.8	1.2	.4	1.9	2.5	.6
Finland	35.9	44.2	8.3	8.4	11.9	3.5	23.4	26.9	3.5
France	40.2	43.4	3.2	17.2	16.1	-1.1	42.8	37.1	-5.6
Germany	37.5	34.7	-2.8	12.9	14.1	1.2	34.4	40.6	6.2
Greece	23.6	35.0	11.4	7.8	12.1	4.3	33.1	34.6	1.5
Ireland	31.0	30.1	-.9	4.4	4.5	.1	14.2	15.0	.8
Italy	29.7	41.1	11.4	11.3	12.5	1.2	38.1	30.4	-7.6
Japan	25.4	26.4	1.0	7.4	10.0	2.6	29.1	37.9	8.8
Netherlands	41.8	37.5	-4.3	15.9	13.8	-2.1	38.0	36.8	-1.2
New Zealand	30.6	35.6	5.0	.0	.0	.0	.0	.0	.0
Norway	42.5	44.0	1.5	9.0	9.5	.5	21.2	21.6	.4
Portugal	22.9	34.5	11.6	6.8	11.0	4.2	29.7	31.9	2.2
Spain	22.6	34.8	12.2	11.0	12.1	1.1	48.7	34.8	-13.9
Sweden	46.9	50.4	3.5	13.5	14.3	.8	28.8	28.4	-.4
Switzerland	25.3	29.2	3.9	5.9	7.1	1.2	23.3	24.3	1.0
UK	35.2	36.0	.8	5.9	6.8	.9	16.8	18.9	2.1
USA	26.4	25.5	-.9	5.8	6.7	.9	22.0	26.3	4.3
Mean	**33.3**	**37.3**	**4.0**	**8.2**	**9.4**	**1.2**	**24.6**	**25.2**	**.6**
Range	**24.3**	**24.9**		**17.2**	**16.1**		**48.7**	**40.6**	
Standard deviation	**7.7**	**7.0**		**4.9**	**5.0**		**13.6**	**12.4**	
Coefficient of variation	**.23**	**.19**		**.60**	**.53**		**.55**	**.49**	
Catch-up			**r= -.44***			**r =-.12**			**r= -.40**

Note: * = level of significance < .05.
Source: OECD (2006b).
(← Table 5 p. 989, 990)

4.3 Development of Replacement Rates

The analysis of social expenditure is, by itself, insufficient to obtain a balanced picture of recent welfare state developments. Rising expenditure levels neither rule out a declining generosity of welfare states at the micro-level nor do they provide compelling evidence that globalization theorists are wrong in arguing that international economic trends are the big equalizer of welfare states. For instance, increased spending on pensions may be driven population ageing and increased unemployment spending by increased case loads caused by

globalization (Clayton and Pontusson 1998). We could test directly for conditional convergence and model such factors through a multivariate analysis (but see footnote 4). Here instead, we look at the replacement rates of welfare benefit programmes, where the influence of demographic variables no longer applies. Cross-national data on these topics has been collected by researchers at the Swedish Institute of Social Research (SOFI) for more than two decades and recent findings from SOFI point to a retrenchment in some programme benefits, but, quite contrary to the convergence thesis, marked cross-national differences in the extent of that retrenchment as between countries (Korpi and Palme 2003; Montanari 2001; Montanari and Palme 2004).

The SOFI dataset is not available to other scholars, so we cannot replicate its findings here. However, a new data dataset on welfare state entitlements in 18 OECD countries has recently been compiled by Lyle Scruggs (2004), making available information on the benefits offered by pension, sickness and unemployment benefit programmes between 1971 and 2002. Replacement rates are calculated for different household types in relation to an average production worker's wage. In addition, the data contain information about qualifying conditions and programme coverage. We have utilized this dataset to examine whether or not convergence in net replacement rates has occurred between 1980 and 2002. In line with Allan and Scruggs (2004), we use the average replacement rate for a single person and that for a family consisting of two adults and (**← p. 991**) two children for sickness and unemployment benefits, and the mean level of provision for a single person and a couple in the case of pensions. Table 6 displays benefit levels for the years 1980 and 2002.

Table 6: Net Replacement Rates in 18 Countries, 1980 and 2002

| | Social Insurance Programme | | | | | | | | |
| | Sickness | | | Unemployment | | | Standard pension | | |
	1980	2002	Change	1980	2002	Change	1980	2002	Change
Australia	.42	.46	.03	.39	.46	.07	.35	.37	.02
Austria	.81	.82	.01	.66	.61	-.05	.74	.76	.02
Belgium	.86	.86	.00	.67	.63	-.04	.82	.73	-.09
Canada	.62	.66	.04	.62	.66	.04	.49	.60	.11
Denmark	.79	.62	-.17	.79	.62	-.17	.52	.57	.05
Finland	.48	.74	.26	.41	.62	.21	.57	.64	.07
France	.60	.62	.02	.64	.72	.08	.63	.55	-.08
Germany	1.00	.93	-.07	.69	.66	-.03	.71	.62	-.09
Ireland	.72	.43	-.29	.72	.43	-.29	.43	.45	.02
Italy	.70	.82	.12	.08	.53	.45	.58	.87	.29
Japan	.50	.62	.12	.67	.62	-.05	.61	.64	.03
Netherlands	.87	.77	-.10	.87	.77	-.10	.61	.56	-.05
New Zealand	.49	.42	-.07	.46	.42	-.04	.49	.49	.00
Norway	1.00	1.00	.00	.73	.68	-.05	.55	.63	.08
Sweden	.97	.83	-.14	.83	.76	-.07	.66	.60	-.06
Switzerland	.83	.79	-.04	.76	.77	.01	.48	.49	.01
UK	.55	.24	-.31	.55	.37	-.18	.43	.56	.13
USA	.00	.00	.00	.65	.57	-.08	.65	.68	.03
Mean	**.68**	**.65**	**-.03**	**.62**	**.61**	**-.01**	**.57**	**.60**	**.03**
Range	**1.0**	**1.0**		**.79**	**.40**		**.47**	**.50**	
Standard deviation	**.25**	**.26**		**.19**	**.12**		**.12**	**.12**	
Coefficient of variation	**.37**	**.40**		**.31**	**.20**		**.21**	**.20**	
Catch-up			**r = -.25**			**r = -76****			**r = -.41**

Note: ** = level of significance < .01.
Source: Scruggs (2004). For some countries missing 1980 data were substituted by figures for 1981.
(← Table 6 p. 993)

The first point to note is the marked difference in the trend of development of these three programmes. Average pension generosity increases, sickness benefit generosity declines and unemployment benefits stay at virtually the same level. A second point to note concerning differences in the trajectory of development of these programmes is that only unemployment insurance benefits show signs of potential σ-convergence as manifested in a marked (yet insignificant) decline in measures of dispersion over time or of β-convergence as demonstrated by a significant correlation between the initial level of spending and change over time. A final point to note, however, is that the negative relationships between initial replacement rates and subsequent change in respect of both pensions and unemployment are greater than the

corresponding figures for expenditure programmes shown in Table 4. On the one hand, this does show that, beneath the surface of the demographics, pressures on expenditure per welfare recipient are becoming more similar, i.e. that some degree of conditional beta convergence is taking place. On the other hand, given the strong and continuing variance likely in the population ageing profiles of the OECD countries in coming decades, it underlines our earlier conclusion in respect of Table 4 that differences in OECD pension expenditure levels are most unlikely to dissolve overnight.

The trend of unemployment benefit generosity is of particular relevance to our investigation of the relationship between social policy development and globalization. This is because this is the one area in which reputable scholarly analysis (Korpi and Palme 2003; Allan and Scruggs 2004) has suggested that there may be a strong case for arguing for a genuine race to the bottom. However, the stability of average unemployment benefit levels combined with the strong evidence in Table 6 of both σ-convergence and β-convergence appears more suggestive of what one might wish to call a convergence to the centre. This finding holds even if the obvious outlier Italy is removed from the analysis. Excluding Italy, the average unemployment replacement rate decreases from .65 to .61, which is hardly indicative of a race to the bottom. A plausible account of such a convergence to the centre might point to the impact of the rise of mass unemployment in the 1980s and early 1990s in simultaneously making the generosity of former expenditure leaders too expensive a burden for the public purse to bear indefinitely and the niggardliness of former laggards too conducive to electoral retribution from those made destitute by losing their jobs.

4.4 Decommodification

As a final dimension of welfare state change, we examine whether there is evidence for convergence in social policy outcomes. More specifically, we are interested in changes of the extent of welfare state decommodification, which **(⬅ p. 992)** refers to the degree to which individuals can maintain a decent standard of living independent of (labour) market participation (Esping-Andersen 1990). Decommodification is highest if benefits are based on social rights, i.e. granted not on the basis of means-tests and without entitlement barriers such as waiting days. Following the methodology used by Esping-Andersen (1990), Scruggs (2004) has calculated annual cross-national decommodification scores. Table 7 reports these scores, which are the sum of the programme-related decommodification scores for each of the three programmes already discussed. The summary statistics reported in the lower rows point to a remarkable stability in the degree of decommodification over time. There is neither an average **(⬅ p. 993)** decline in decommodification – although some countries, including Sweden, have significantly reduced the level of decommodification – nor any evidence for σ- or β-convergence (the coefficient of variation does not decline and our catch-up indicator is weak and not significant).

Table 7: Decommodification Scores for 18 Countries, 1980 and 2002

	1980	2002	Change
Australia	20.1	17.9	-2.2
Austria	27.8	28.8	1.0
Belgium	30.5	30.9	.1
Canada	25.0	25.1	.1
Denmark	33.0	34.9	1.9
Finland	27.9	30.1	2.2
France	27.7	27.0	-.7
Germany	29.6	30.2	.6
Ireland	21.8	28.9	7.1
Italy	20.6	26.7	6.1
Japan	20.0	21.4	1.4
Netherlands	31.8	34.6	2.8
New Zealand	23.8	22.9	-.9
Norway	33.5	37.3	3.8

Sweden	36.4	32.5	-3.9
Switzerland	32.2	21.9	-10.3
UK	22.9	24.7	1.8
USA	18.6	18.1	-.5
Mean	**26.8**	**27.4**	**.6**
Range	**17.8**	**19.4**	
Standard deviation	**5.4**	**5.6**	
Coefficient of variation	**.20**	**.20**	
Catch-up			**r = -.30**

Source: Scruggs (2004).

4.5 The Americanization of Social Policy?

An important variant of the TINA convergence thesis in welfare state research is the notion of a creeping 'Americanization' of social policy (e.g. Walker 1999; see also Alber 2006). Americanization has also become one of the buzzwords of the public debate on the future of the welfare state. OECD welfare states are expected to look more and more like the U.S., the neo-liberal poster-child and economic and political heavyweight. Hence, the notion of Americanization can be seen as the assertion of the occurrence of what, in section 3 of this paper, has been referred to as δ-convergence (*delta*-convergence). The concept of δ-convergence denotes a trend towards a particular policy model or benchmark. **(← p. 994)** The difference between δ-convergence and σ-convergence is that, although countries experiencing δ-convergence move closer to that model, they do not necessarily become more similar to each other.

We test for δ-convergence by looking at the development of country-specific distances to the U.S. case on three fundamental dimensions: spending, funding and decommodification. Table 8 displays these distances for total social expenditure and total taxation as percentages of GDP and for the overall decommodification level as defined by Esping-Andersen (1990). Note that decommodification data is available only for 18 of the 21 core OECD countries. On all three

dimensions, the mean distance to the U.S. increased between 1980 and the early 2000s, but this measure is sensitive to extreme values. We therefore examine how many countries have actually reduced their distance to the U.S. (highlighted in grey). We find no evidence of a strong and uniform Americanization trend. Of the 57 logically possible cases, only 15 exhibit the predicted movement towards the benchmark. Nor do all these cases unequivocally support the Americanization thesis, since some are instances of countries that earlier exhibited lower values than United States now exhibiting higher ones and, hence, **(← p. 995)** presumably moving away from the American position (this is, arguably, true of both Australia and Japan). Most instances of Americanization can be found in the area of welfare spending. Overall, however, we must conclude that the evidence does not support an Americanization interpretation of recent social policy development within the OECD.

Table 8: Country-specific distances to the United States on three dimensions, 1980 and early 2000s

	Total social expenditure		Total taxation		Decommodification	
	1980	**2003**	**1980**	**2004**	**1980**	**2002**
Australia	-2.4	1.7	.2	5.7	1.5	-.2
Austria	9.3	9.9	12.6	17.1	9.2	10.7
Belgium	10.2	10.3	14.9	19.5	11.9	12.5
Canada	.8	1.1	4.6	8.0	6.4	7.0
Denmark	11.9	11.4	16.7	23.3	14.4	16.8
Finland	5.1	6.3	9.5	18.7	9.3	12.0
France	7.5	12.5	13.8	17.9	9.1	8.9
Germany	9.7	11.4	11.1	9.2	12.1	12.1
Greece	-1.8	5.1	-2.8	9.5	n.a.	n.a.
Ireland	3.5	-.3	4.6	4.6	3.2	10.8
Italy	4.7	8.0	3.3	15.6	2.0	8.6
Japan	-3.0	1.5	-1.0	.9	1.4	3.3
Netherlands	10.8	4.5	15.4	12.0	13.2	16.5
New Zealand	3.8	1.8	4.2	10.1	5.2	4.8
Norway	3.6	8.9	16.1	18.5	14.9	19.2
Portugal	-2.5	7.3	-3.5	9.0	n.a.	n.a.
Spain	2.2	4.1	-3.8	9.3	n.a.	n.a.
Sweden	15.3	15.1	20.5	24.9	17.8	14.4
Switzerland	.6	4.3	-1.1	3.7	13.6	3.8
UK	3.3	3.9	8.8	10.5	4.3	6.6
Mean	**4.6**	**6.4**	**7.2**	**12.4**	**8.7**	**9.9**

 Note: Negative signs reflect the fact that some countries on some variables exhibit lower scores than the U.S.

Source: OECD (2006a, b) Scruggs (2004), own calculations.

(← Table 8 p. 995)

6. Conclusion

In this paper, we have used a broad range of indicators mapping different dimensions of social policy to examine whether or not welfare states have converged over recent decades. This period has been characterized by fundamental changes in the international political economy paralleled by mounting domestic challenges resulting from population ageing, new social risks, deindustrialization and, often, unfavourable levels of economic performance. Many social policy scholars have argued that these challenges were likely to trigger a convergence of welfare states, although there have been conflicting views as to whether attendant changes would mean greater or lesser welfare provision.

In an effort to probe these claims empirically, we have compared the development of a broad set of welfare state indicators for a coherent country sample and time period. Our main finding is that most measures are indicative of convergence and that there is no "race to the bottom". In particular this holds for the various indicators of social expenditure, which exhibits an upwards trend over time and – with few exceptions – statistically significant β-convergence (Table 9). Our findings are somewhat more ambiguous with respect to other welfare state measures. On the funding side, increases in revenue levels were only to some extent accompanied by increasing cross-national similarity. In terms of benefit levels, our analysis points to an absence of any clear trend in benefit generosity, with strong convergence limited to unemployment benefits. No changes whatsoever were found for cross-national levels of decommodification. Finally, rather than following the neo-liberal path towards an Americanization of the welfare state, countries in general appear rather to have increased their distance from the U.S. on a number of central dimensions.

While the majority of indicators analysed point to convergence according to one measurement criterion or another, the magnitude of the convergence trajectory is generally quite moderate. Sigma convergence is a case in point. While the vast majority of the measures of dispersion of the welfare state indicators examined in this paper manifest signs of decline over time, this effect remains insignificant in all cases (see Table 9), since the null-hypothesis assuming homogeneity of variance cannot be rejected. Why significant β-convergence is the norm and significant sigma convergence entirely absent is not something that we can explain in the context of this largely descriptive account. We highlight the issue here as one meriting further analysis.

Table 9: Overview of Results

Indicator	Change of mean (direction)	Type of convergence
Social expenditure		
Total	upwards	sigma, **beta**
In cash	upwards	sigma, **beta**
In kind	upwards	sigma, **beta**
Pensions	upwards	---
Health	upwards	sigma, **beta**
Unemployment	upwards	sigma, **beta**
Family (in-kind)	upwards	---
Funding		
Taxes	upwards	sigma, **beta**
Contributions	upwards	sigma
Financing structure	stability	sigma
Replacement rates		
Sickness	downwards	---
Unemployment	stability	sigma, **beta**
Pensions	upwards	---
Decommodification		
Level	stability	---
Americanization		
Social expenditure	---	---
Taxes	---	---
Decommodification	---	---

Note: Statistically significant findings are in bold type.

(← Table 9 p. 997)

If we put the mosaic together, we can herald limited convergence at best. There is little evidence of greater likeness in respect of the dimensions, such as decommodification and replacement rates, that may be seen as best describing **(⬅ p. 996)** "the theoretical substance of welfare states" (Esping-Andersen 1990). This absence of any shift in pre-existing regime types combined with an upwards convergence in spending is more compatible with a neo-functionalist interpretation of social policy development (Iversen/Cusack 2000; Iversen 2001) than one premised on a globalization induced race to the bottom. If globalization matters at all, the development of social expenditure is much more in accordance with the compensation thesis à la Rodrik (1998). Moreover, the trend to overall expenditure convergence and in unemployment benefit generosity is consistent with theories of policy learning and harmonization. However, the fact that convergence does not occur across the board, is insufficiently pronounced to manifest itself as significant according to the Levene test and that implementation of shared reform objectives varies across countries (Seeleib-Kaiser 2001) may demonstrate the continuing scope of politics in shaping national adjustment pathways in this 'Silver Age' of the welfare state (Taylor-Gooby 2002). Two caveats are appropriate. First, it was not the purpose of this paper explicitly to test competing hypotheses concerning the causes of convergence. Our descriptive account can only provide a first indication about the plausibility of different scenarios depicted in the literature. Second, the results do not rule out the presence of **(⬅ p. 997)** more complex forms of convergence. An interesting possibility is of the emergence of what may be thought of as regional 'convergence clubs' and it could well be worthwhile to test more systematically for forms of conditional convergence of this kind. As in the case of the unresolved issue of why significant β-convergence and not σ-convergence, these are topics beyond the scope of the present paper, and issues for future research.

Note

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[1] For the core-OECD welfare states, we are not aware of any convergence studies, which put *imposition* by other countries or international organizations at the centre of their analysis. The imposition variant of the convergence argument is therefore not included in Table 1.

[2] It is thus hardly surprising that studies using multivariate regression analysis have confirmed the evidence of β-convergence. Besides convergence, these econometric studies provide evidence that social spending dynamics are influenced by the business cycle and differences in population ageing and unemployment (Castles, 2001; Huber and Stephens, 2001; Kittel and Obinger, 2003).

[3] Since data for comprehensive spending on active labour market policies are missing for many countries prior to 1990, this table only contains expenditures devoted to unemployment cash benefits.

[4] AVERAGE ANNUAL GROWTH OF PENSION SPENDING (1980-2003) = - .041 INTERCEPT - .0045 (2.79) PENSION SPENDING 1980 + .0057 (2.91) SHARE OF THE ELDERLY (65+) AS A PCT. OF TOTAL POPULATION (1980-2003); R^2 = .37; N = 21; t-statistics in parentheses.

(← p. 998)

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