The Politics of Welfare Services
Carsten Jensen

PhD Dissertation

The Politics of Welfare Services

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Carsten Jensen
Preface

This report is part of my PhD project *The Politics of Welfare Services* conducted at the Department of Political Science, Aarhus University. The PhD project studies the determinants of welfare service provision in modern welfare states. The project consists of the report and the following seven papers:

- Partisan politics turned upside down: Tertiary education as social protection against de-industrialization. Manuscript under review. (Referred to as Partisan politics).
- The new politics of childcare. Manuscript under review. (Referred to as The new politics).
- Less bad than its reputation. Social spending as a proxy for welfare effort in cross-national studies. Manuscript under review. (Referred to as Less bad than its reputation).

The report presents a general discussion on the determinants of welfare service provision in modern welfare states and it is intended as a corrective to the overwhelming focus on transfer programs in the existing literature. The report draws on the seven papers of the PhD project, but is not meant as a summary of these. It presents an argument that cuts across and goes beyond the papers. The ambition has been to develop an argument that on the one hand is firmly nested in the existing welfare state literature, but on the other hand pays more attention to the unique features of the welfare service component and individual types of welfare services than has been the case previously.

Much of the existing welfare state literature seems to analyze welfare services according to the 'one size fits all' principle where a single theoretical determinant is believed to be able to explain the development in all welfare
service areas. Although such a mode of analysis may be both sweeping and parsimonious, I have come to see it as unhelpful if the aim is to get a better understanding of welfare service provision. A more fruitful approach is, first, to consider the nature of welfare services vis-à-vis transfer programs and, second, to reflect on the differences between individual types of welfare services. This approach allows us to understand why the existing literature has had difficulty transporting expectations to the study of welfare services since the determinants of welfare service provision are unlikely to be the same as the determinants of transfer programs. It simultaneously allows us to understand the overarching logic of welfare service provision without hiding the differences of individual programs: The basic driver is the same across all welfare services, but its concrete expression will vary considerably.

The papers of the project are divided into two sets. The first set studies the determinants of welfare service provision across a variety of welfare service types using statistical analysis of spending data. The main argument in the existing work on welfare services has been that left-wing governments expand welfare service provision. The first part of the project allows me to discount the argument that left-wing governments are positively associated with welfare service provision and also indicate how provision is driven by social insurance motives instead. The second set of papers studies the role of institutionalized interests and the production mode by zooming in on a single policy area, i.e., childcare. Complementing these two sets of papers, the seventh paper provides a methodological discussion of the use of social spending as a proxy of welfare effort (i.e., the main dependent variable of the PhD project). I argue that the appropriateness of using social spending varies across welfare programs, but in fact is a fairly good proxy of cross-national differences in welfare effort when it comes to welfare services.

It is common to distinguish between three main types of welfare services, namely health care, education and social care; the latter type consisting of elder care and childcare. Education has traditionally been viewed as something different from other welfare programs (Wilensky 1975), but has in recent years been integrated into the literature (e.g., Boix 1997; 1998; Castles 1998; Iversen & Stephens 2008). All three main types of welfare services are characterized by the fact that they provide protection against risks predominantly, albeit not exclusively, stemming from the lifecycle (Esping-Andersen 1999). Crucially, the concrete type of social risk varies from welfare service to welfare service as does the way the state can and will intervene with protection. As discussed below, the type of risks depends on the source of the risk, while the intervention depends on the extent to which the risk is considered ‘social’. This makes it appropriate to study one or two service types at a time.
in different papers because the exact logic underlying the different services will be different from one to the other.

Table 1.1 lists which of the individual papers deal with the different welfare services. Combined, the first four papers cover the three main types. *Worlds* and *Determinants* study health care and social care provision, the former using cluster analysis and the latter using time series-cross section regression. *Worlds* studies how countries cluster in terms of the levels of welfare provision, while *Determinants* focuses narrowly on changes. *Capitalist systems* and *Partisan politics* focus on education, both relying on time series cross-section regression.

Table 1.1. Overview of main focus and methods in the papers

<table>
<thead>
<tr>
<th>Title of paper</th>
<th>Empirical focus</th>
<th>Theoretical focus</th>
<th>Method</th>
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<td><em>Worlds</em></td>
<td>Health care and social care</td>
<td>Social risks</td>
<td>Cluster analysis</td>
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<td><em>Determinants</em></td>
<td>Health care and social care</td>
<td>Social risks</td>
<td>Time series-cross section regression</td>
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<td><em>Capitalist systems</em></td>
<td>Education</td>
<td>Social risks</td>
<td>Time series-cross section regression</td>
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<td><em>Partisan politics</em></td>
<td>Education</td>
<td>Social risks</td>
<td>Time series-cross section regression</td>
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<td><em>Institutions</em></td>
<td>Childcare</td>
<td>Production mode</td>
<td>Cross section regression</td>
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<td><em>The new politics</em></td>
<td>Childcare</td>
<td>Production mode</td>
<td>Case study</td>
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<tr>
<td><em>Less bad than its reputation</em></td>
<td>All welfare programs</td>
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The next two papers contain the study on how the production mode moderates the political pressure for human capital formation in childcare. *Institutions* relies on cross section regression analysis of a new dataset on curriculum traditions, which is argued to be the most important characteristic of the production mode from the current perspective. *The new politics* studies the politics of childcare provision in Belgium, Denmark, Germany and the United Kingdom. As discussed in the paper, the case selection is based on a most different systems design logic, allowing me to show that the only common denominator between the possible explanatory variables and the policy out-
come is the curriculum tradition. Less bad than its reputation, finally, takes a look at the issue of how best to measure the dependent variable. Given that most of the papers rely on the same measure, namely social spending, this is an important discussion.

The welfare service component takes up around half of the social budget in most Western countries, but has received very sparse attention so far. Compared to the hundreds, if not thousands, of studies on the determinants of the transfer component, this PhD project must necessarily cover less ground. While all main welfare services have been studied in the papers, some aspects have received more attention than others depending on the welfare service under study. In the papers I have generally focused on the most characteristic aspects of the individual welfare service, aiming at highlighting features that would seem to have special interest to the welfare state literature. Complementing this, I have tried to present an argument in the report that gives a broader view of the general dynamics of the welfare service component and the individual welfare services. This combination of in-depth papers and a more general report is, in my opinion, the best way to study the diverse and complex character of welfare services in modern-day welfare states.
Chapter 1: Introduction

The welfare state remains one of the core topics of modern political science. Having survived several decades of fiscal and political crisis, the welfare state literature has in the past couple of decades focused on the persistence of welfare programs in the face of economic austerity and right-wing ideological onslaught. Some authors have seen the recent developments as evidence that the modern-day welfare state has decoupled itself from the ideological conflicts that directed the original expansion in the postwar decades, leaving much more room to the influence of institutionalized interests (Pierson 1994; 1996). Other authors argue that welfare politics continues to be an area of strong ideological contestation, pointing out that welfare programs thrive best in countries dominated by left-wing governments (Korpi & Palme 2003; Allan & Scruggs 2004).

The debate between the new politics approach, suggesting that institutional factors have crowded out ideological conflict, and its opponents are arguably the most extensive and elaborate found in the welfare state literature today (for reviews, see Green-Pedersen & Haverland 2002; Starke 2006; Ferrera 2008). The literature has generated a large number of studies on the question, but is also characterized by some blind spots. The most noteworthy is probably its apparent ‘transfer bias’ where focus overwhelmingly has been on the transfer component of welfare states, i.e., on cash benefits like old-age pensions, unemployment insurance and early retirement schemes. Much less attention has so far been paid to the welfare service component, i.e., benefits in-kind like childcare, education and health care (Alber 1995; Huber & Stephens 2000).

The transfer bias of the literature can hardly be justified by the size of the welfare service component: In 2001, average public spending on welfare service programs was 14 pct. of the GDP; the same year average public spending on transfer programs totaled 13.8 pct. (OECD 2009). Another reason why the literature has been less interested in the welfare service component despite its evident importance may be that it is presumed that theoretical insights reached on one component can be transferred easily to the other. Indeed, this appears to be the assumption of the work that actually has been carried out on welfare services. The most predominant argument by far posits that left-wing governments are motivated by a preference for economic redistribution and therefore seek to expand welfare service provision as much as possible (Boix 1997; 1998; Castles 1998; Huber & Stephens 2000; 2001; Iversen & Cusack 2000; Iversen 2005; Busemeyer 2007; Iversen & Stephens 2008). This
is the same reason that some authors expect – mainly adhering to the power resource theory – that left-wing governments will be positively associated with public spending and entitlements on transfer programs (Stephens 1979; Korpi 1983; Korpi & Palme 2003; Allan & Scruggs 2004).

I will argue that this is hardly a reasonable assumption, neither in terms of empirics nor in terms of theory. The major transfer programs have been in place in all Western countries since the first decades of the 20th century (Hicks 1999) and from the 1980s onwards there has been a general trend towards retrenching these programs (Korpi & Palme 2003; Allan & Scruggs 2004). Welfare services are in the main different from this. First, some welfare services like elder care and especially childcare have never been provided by the state on any large scale basis – at least not until recently. Second, spending on welfare services has experienced a rising trend, starkly setting it apart from most transfer programs (OECD 2009). As noted by Esping-Andersen (1999), transfer programs like old-age pensions, early retirement schemes and unemployment insurance all relate to a risk structure of the past. As more and more individuals experience risks that are better met via the provision of welfare services like childcare and education, these programs are likely to become the center of political attention, generating a natural pressure to shift spending from transfer programs to welfare services.

To understand welfare services theoretically it is pivotal to study what it is that makes welfare services distinct from transfer programs before we try to answer whether or not welfare services are directed by ideological conflict, new institutional factors, or some third driver. I will argue that neither the power resource theory nor the new politics approach has taken this task seriously enough and that this is the major reason why we continue to see so little research on the welfare service component. To move forward I start by discussing what it is that makes welfare services distinct from transfers. Three features are highlighted, namely that welfare services generally have a much less direct redistributive capacity than transfer programs; that they nevertheless generate protection against social risks, especially, though not exclusively, those related to the lifecycle; and that the production of welfare services is considerably more complex than the production of transfers.

In the rest of the chapter, I first present the debate between the authors advocating a continuing importance of ideological conflict, mainly the power resource theory, and those arguing that institutional factors have taken over as the main drivers of welfare provision, the new politics approach. Next, the three core features distinguishing welfare services from transfers are introduced at greater length. I return to these issues later in the report, but discuss
and synthesize the main points now. Based on this, the final section of the chapter outlines the overall aim and structure of the remainder.

The debate
The argument that ideological conflict is the main determinant behind welfare state developments is most elaborately presented by the power resource theory, which during the 1980s won widespread popularity in the welfare state literature. Stephens (1979) and Korpi (1983) are the two most well-known early proponents of the power resource theory. Both argue that left-wing parties are pursuing economic redistribution in order to improve the material living conditions of the low income groups, the core voting constituency of the left wing. In order to secure this, left-wing governments will expand the level of welfare entitlements that the public enjoys, which often implies raising the replacement rates in the eventuality of unemployment, sickness and old age (see also Korpi 1989; Esping-Andersen 1990; Korpi & Palme 1998).

Because of their preference for economic redistribution, left-wing governments have historically become closely associated with high levels of social spending (Castles 1998; 2004; Huber & Stephens 2001). Importantly, however, social spending is only a means to achieve the economic redistribution that is the ultimate goal of the left (Bradley et al. 2003). As Esping-Andersen (1990, p. 21) notes, ‘[i]t is difficult to imagine that anyone struggled for spending per se’, indicating that it is important to consider why one expects political actors, including the left wing, to be inclined to promote or fight specific programs.

The historic role of left-wing governments is well established and it is, if nothing else, definitely possible to conclude that there is a positive correlation between the historic levels of left-wing governments and the level of social spending in a country. Yet, as argued by the new politics approach, such a positive correlation is hardly evidence that left-wing governments are the causal factor behind welfare state provision in modern welfare states. According to Pierson (1994; 1996), expanding welfare provision in the 1950s, 1960s and 1970s led to the emergence of new vested interests that became institutionalized as the welfare state matured. These institutionalized interests, notably groups of recipients and producers, have been able to decouple the individual policy sectors from the macro-level forces that caused the original expansion. This is why neither Reagan nor Thatcher apparently was able to introduce large-scale cutbacks despite their ideological preference for such retrenchment.

The process pointed out by Pierson has been documented in a number of studies, leading to a considerable refinement of the original argument. Not
least the evolving literature on the consequence for policy stability of de-
coupling has become highly elaborated. Early on decoupling often became a
synonym for path dependency (Pierson 2000; Mahoney 2000; Myles & Pier-
son 2001), but later work has revisited this point arguing that decoupled in-
stitutions may self-transform via cumulative, but transformative change
(Streeck & Thelen 2005). A wellspring of empirical studies has emerged
based on these ideas, although with a rather narrowly focus on the major
transfer programs like unemployment insurance and old-age pension systems
(e.g., Lessenich 2005; Palier 2005; Trampusch 2005; 2009; Green-Pedersen
& Lindbom 2006; Clegg 2007).

The debate between the power resource theory and the new politics ap-
how government color continues to have an effect on welfare provision, while
Bradley et al. (2003) document that long-term left-wing incumbency contin-
ues to reduce overall economic inequality in a country. From the current
perspective the important thing to note, however, is that neither position is
adapted to handle welfare service programs.

**Left-wing governments and the redistributive effect of welfare services**

The core argument of the power resource theory is that left-wing govern-
ments expand welfare programs because it ensures economic redistribution
between high and low income groups in society. If this was not the effect of
welfare provision, left-wing governments would have no incentive to promote
welfare programs, which simply would be a waste of money. To recapitulate
Esping-Andersen: Nobody is fighting for spending *per se*. The little empirical
work that has been done on the welfare service component in welfare state
literature overwhelmingly adheres to the power resource theory, and argues
that left-wing governments actively expand welfare services because it en-
hances economic redistribution in society (Boix 1997; 1998; Huber & Ste-
2008). Invariantly, alas, this key assumption is never discussed thoroughly.

Both logic and empirical evidence indicates that welfare services are less
redistributive than transfer programs. The principal reason we should not ex-
pect welfare services to redistribute nearly as much as transfer programs is
that welfare services on average are more universal, i.e., less targeted at low
income recipients than transfer programs. As Huber & Stephens (2000, p.
324) note, ‘most social services, particularly health care and education, are
provided to citizens as citizenship rights [...]’. Indeed, the proportion of the
population with access to publicly financed health care (bar the United
States) and primary and secondary education is practically 100 pct. (OECD 2009).

Transfer programs are often based on the principle of citizenship as well, but are to a significant degree means-tested – even the Scandinavian arch-typical ‘universal’ old-age pensions are de facto means-tested for very large portions of the population in these countries (Immergut et al. 2007). Moreover, the risks that welfare services and transfers are meant to alleviate are very different. Welfare services meet risks that stem from the lifecycle whereas transfer programs mostly meet risks that stem from the economic cycle, notably unemployment.¹ Cusack et al. (2006) have documented that the risk of unemployment is heavily correlated with level of income: low income groups are much more at risk of losing their jobs than high income groups. This is crucial because it implies that the users of transfer programs tend to come from low income groups, whereas the user profile of welfare services is entirely different because all income groups experience the risks of childhood, maternity, sickness and old-age. It may even be the case that high income groups will be able to use welfare services more than low income groups because usage requires a measure of cultural capital that low income groups do not possess.

Consequently, as emphasized by Goodin & Le Grand (1987: 215), ‘in egalitarian terms […] the beneficial involvement of the non-poor in the welfare state is not merely wasteful – it is actually counterproductive. The more the non-poor benefit, the less redistributive (or, hence, egalitarian) the impact of the welfare state will be.’ And specifically relating to welfare services, Esping-Andersen (1996: 261) adds that it ‘is now well established [that] huge areas of welfare state activity – especially in education and the services – are of greatest benefit to the middle class.’ There is accordingly little reason to expect that left-wing governments will be particularly keen on expanding welfare services.

Welfare services as insurance against social risks

The power resource theory with its assumption of left-wing preference for economic redistribution is one of the most dominant theories in modern welfare state theory. The basic premise is that left-wing governments will expand welfare programs to maximize redistribution, while its ideological opponents

¹ Old-age pensions are, of course, also related to the lifecycle, but provision is, as mentioned, not universal in the same way as most welfare services are. This implies that the classic argument that left-wing governments pursue economic redistribution via old-age pensions (e.g., Korpi 1989; Korpi & Palme 1998) remains valid because provision is targeted even though the risk relates to the lifecycle.
will fight such expansion. As it is, a new strand of literature points to another reason for the provision of welfare, namely as insurance against social risks. Such insurance may entail economic redistribution, especially if taxes are progressive, yet there is no determinism in this. As Esping-Andersen (1999: 32) notes:

There is an argument to be made that egalitarianism is a derivative consequence of what is and always was the foremost objective behind social policy, namely insuring the population against social risks.

Welfare programs might, in short, enhance economic redistribution – and this can be a motivation in itself in some situations – but an alternative reason is protection against social risks. Such protection is relevant in its own right whether it leads to higher levels of economic redistribution or not. Corroborating this point, Iversen & Soskice (2001) show empirically that exposure to economic risks leads to more pro-spending preferences among the public – also when income and employment status are controlled for (for more work on welfare provision as a social insurance rather than redistribution, see Baldwin 1990; Estevez-Abe et al. 2001; Hall & Soskice 2001; Swenson 2002; Iversen 2005).

As argued above, welfare services do not redistribute that much compared with transfer programs. They do, however, generate protection against a number of social risks related in particular to the lifecycle. Lifecycle risks become ‘social’, or political, for three reasons. First, because the circumstances of individuals often have societal consequence. Without public financing, large segments of the public may be unwilling to undertake necessary education to ensure that the pool of human capital is maintained and expanded; they may be unwilling to accept technological changes leading to altered employment structure; and families may consider it wisest to keep one adult member (almost always the female spouse) outside the labor market, entailing that the labor market may suffer from a lack of qualified workers (Esping-Andersen 1999; Iversen 2005).

Risks also become social simply because society recognizes them as meriting public consideration (Esping-Andersen 1999). Some risks, like the risk of failing health, have for most of the 20th century been regarded as a social risk in that respect, but in recent decades other risks have become social this way too. Risks relating to maternity and gender appear to have become accepted as a social problem within the past few decades rather than simply being considered a family issue. This development not only mirrors a general turn towards post-materialist values in the Western world (Inglehart & Welzel 2005), but also indicates that some political actors have become aware of
the positive externalities that may be derived from the delivery of insurance against such risks (Bussemaker 1998; Orloff 2006).

The third reason lifecycle risks become social relates to the complexity of the production process, which in some instances has increased dramatically (Esping-Andersen 1999). The production process of some welfare services like health care has been entirely professionalized since the 19th century, leaving no room for the family as a provider and only limited room for the market (outside the United States) due to the costs of consumption for individuals on the private market. Other welfare services like childcare and elder care have traditionally been much more ‘plastic’, i.e., possible to produce not only in a professional environment, but also within the family realm (Anttonen et al. 2003). Yet, as the positive externalities of providing not least childcare are becoming increasingly apparent within the political system (Mahon 2006; OECD 2006), professional production is becoming the norm here too because politicians and other collective actors get an interest in maximizing the perceived pay-offs.

There are, in short, a number of reasons to expect that welfare services in general will be used to provide insurance against social risks. None of these reasons have anything in particular to do with left-wing governments’ preferences for economic redistribution. True, economic redistribution will often be a consequence, but in some instances this may even be questioned, especially when it comes to some forms of education which high income groups are known to use much more than low income groups (Le Grand 1982). If left-wing governments are trying to maximize economic redistribution, it is more rational to expand transfer programs, which are more targeted in general and which are used much more extensively by low income groups than high income groups.

**Institutionalized interests and the fight over production mode**

The second major voice in the welfare state literature the past couple of decades, i.e., the new politics approach, has been less directly interested in the welfare service component than the power resource theory. This appears at first like something of an oddity given that this approach focuses on how recipients and professionals are able to decouple the individual sector from the macro-level. On the face of it, the new politics approach seems to have something to offer in this sense because, if anything, there are more professionals and stronger sector-level unions related to welfare service production than to the provision of transfers. Users of welfare services are, as mentioned, in general also more resourceful than recipients of transfers, which should make them a more formidable opponent for reform-minded politicians.
These considerations are probably correct and indicate how the vested interests in welfare service areas on average may be expected to be stronger than the vested interests related to transfer programs. But they also miss the mark somewhat because they overlook the fact that the preferences of the main group distinguishing welfare services from transfers, i.e., the professionals, are different from most of the vested interests of transfer programs. In the new politics approach vested interests are predominantly assumed to be motivated by a wish for expansion of the programs (Pierson 1994; 1996). The picture is less clear-cut when it comes to welfare services. It is clearly possible to assume that professionals also have a preference for more rather than less welfare. Importantly, however, this is not the only issue that can be assumed to be of relevance to the professionals. Just as important is how the resources allocated to an area are used. This is an insight that dates back at least to the neo-Weberian sociology of professions of Freidson (2001) and Abbott (1988). This strand of literature shows that services are produced by specialists strongly interested in protecting their professional autonomy and turf against both interventionist politicians and other professions. Put in another way: What good is additional funding, if the profession is losing its autonomy, or its members are losing their jobs?

The quests for additional resources, professional autonomy and turf are obviously not mutually exclusive by definition. In some situations they will nevertheless conflict with each other, especially if the existing professional norms are incompatible with the maximization of positive externalities as these are perceived by other political actors. Such conflicts of interests may, to exemplify, also be viewed as the root cause of many of the recent reform initiatives of health care in Western countries which have been driven by the belief that heightened state control or market competition can enhance either quality or efficiency (Salter 2004). As more welfare services are becoming both more complex to produce and the focus of heightened political attention, it is reasonable to expect that conflicts concerning not only level of spending, but also mode of production will surface.

**Aim and structure of the report**

The aim of the report is threefold. First, to show that there is neither theoretical nor empirical reason to suspect left-wing parties to be particularly keen when it comes to promoting the provision of welfare services; second, to show that the common denominator of the politics of welfare service provision is that it generates protection against social risks stemming especially from the lifecycle; and third, to show how this main driver of provision is moderated by the institutionalized interests related to the production mode on the individual policy sectors.
The first three chapters each focuses on one of the three main arguments of the report. The conclusions of these chapters are to a large extent based on the seven papers also included in the PhD project, but synthesize the findings in order to develop a more general argument. Chapter 2 starts out by discussing the argument that left-wing governments are expanding welfare service provision compared to other governments. It shows that there is very limited theoretical and empirical evidence to support this claim. Chapter 3 argues that the alternative motivation emphasized by other fields of the literature, welfare provision as protection against social risks, arguably is a much better predictor of welfare service provision. Importantly, however, the social risks that different types of welfare services can alleviate vary considerably. This implies that the concrete dynamic on individual welfare service areas will differ. The chapter argues that taking this fact seriously is a precondition for understanding what actually drives welfare service provision.

Chapter 4 turns to the sector level and argues that the preferences of macro-level actors, including the government, can be derailed to some extent due to the institutional setup of the individual policy areas. Compared to the two previous chapters this chapter draws on evidence from a single policy area only, namely childcare. As discussed in the appendix, this area is chosen because its configuration allows me to isolate the effect of production mode from that of the material power resources of the vested interests. Chapter 5, finally, discusses the theoretical and empirical implications. An appendix on the methodological considerations of the PhD project is also included. I have chosen this reverse order for presentation purposes, allowing for a better flow of the argument.
Chapter 2:  
The myth of left-wing governments

This chapter takes a closer look at the role of left-wing governments and welfare service provision. The existing literature on welfare services predominantly adheres to the power resource theory and argues that left-wing governments actively promote welfare service provision to secure economic redistribution. The first section of the chapter starts out by reviewing this argument in a little more detail, after which the second section presents a critique of the proposition. The third section presents the relevant empirical evidence from the papers, discussing just how strong the empirical case is for the ‘partisan matters’ argument.

Left-wing governments and the provision of welfare services

In much of the welfare state literature there seems to be an implicit argument that the Scandinavian welfare states are ‘welfare service states’ (Huber & Stephens 2001), and that the reason for this is a prolonged dominance of left-wing parties in government. The argument is rarely made explicit, although there are exceptions that all share some core characteristics, notably that left-wing governments are motivated by a preference for economic redistribution and consequently want to provide extensive welfare service programs. Huber & Stephens (2000) arguably present the most encompassing argument on welfare service provision, drawing heavily on the power resource theory. They argue that left-wing governments are particularly interested in welfare service provision for two reasons.

First, ‘most social services, particularly health care and education, are provided to citizens as citizenship rights, while most transfer payments are conditional on previous income. Thus the redistributive effect of the free and subsidized provision of public services and goods should differ from, and be greater than, the redistributive effect of transfer payments’ (2000: 323-24). Underlining this is the assumption of the power resource theory that left-wing governments aim at maximizing the economic redistribution in society, making the provision of welfare services the ideal vehicle for such redistribution. Second, ‘the social democratic agenda, especially recently, has promoted competitiveness by investing in human capital’ (p. 326).

Focusing more narrowly on education, Boix (1997; 1998) and Iversen & Stephens (2008) present arguments that resonate with the more general one of Huber & Stephens (2000). All emphasize how left-wing governments promote education because its provision implies a large measure of economic redistribution and facilitates a supply-side oriented capitalist economy via the
generation of human capital. A number of more explorative studies have cor-
roborated this argument by showing empirically that there apparently is a
positive relationship between left-wing governments and public spending on
education (Castles 1998; Busemeyer 2007; Schmidt 2007).

Iversen & Cusack (2000) and Iversen (2001; 2005) also suggest that left-
wing governments will be particularly prone to expand welfare services as a
means to ensure economic redistribution. In this work, it is argued that risk
exposure will lead the median voters to develop pro-spending preferences in
order to generate social insurance. Importantly, the way such insurance will
be provided will depend on the party in power, with left-wing governments
being much keener to provide welfare services than right-wing governments.
Here too, then, do we find the assumption that welfare services generate
more economic redistribution than transfers. Interestingly, this assumption is
rarely, if ever, discussed critically by this strand of literature.

The redistributive impact of welfare services

The core premise of the existing literature is that welfare services generate
greater economic redistribution than transfers. While welfare services admit-
tedly are likely to lead to redistribution, it is highly questionable whether
they redistribute more than transfers. This basic insight was reached by Le
Grand (1982), Tullock (1983) and Goodin & Le Grand (1987), all showing
how it both logically and empirically is the case that welfare programs that
are aimed at both high and low income groups are less redistributive than
more targeted programs: When high income groups use a program the net
redistributive effect of public provision will, all else equal, be reduced.

Table 2.1 illustrates the redistributive effect of relying on a universal ver-
sus on a means-tested program (inspired by Rothstein 1998: 147). It shows a
society with five groups of equal size with highly different market income
(the ratio between top and bottom group is 5) and the redistributive effect of
using the tax revenue on universal or means-tested benefits, respectively. The
universal benefits are provided equally to all groups, whereas the means-
tested benefits are paid out disproportionally to low income groups. Assum-
ing that all the tax revenue can be used and that low income groups cannot
end up with more income than high income groups, the outcome in the cur-
rent setup is full income equality after taxes and means-tested benefits. While
the logic of the table is stylized, it very clearly brings out the much bigger re-
distributive effects of providing means-tested benefits compared to universal
benefits.

Welfare services are generally distinct from transfer programs in three
ways making them less redistributive than transfers. First, access is mostly
universal, i.e., based on citizenship. Especially health care (outside the United
States) and primary and secondary education are to a large extent provided as a matter of citizenship rights. Second, the risks that welfare services protect against are often related to the lifecycle entailing that both high and low income groups are likely to experience a need for the services. Third, it sometimes takes a large measure of cultural capital to get the full benefit of welfare services. This is especially true for education, where high income groups often are better able to utilize the services offered. Tertiary education in particular is characterized by high levels of social immobility where children of high income groups consistently use these services more than children of low income groups (Le Grand 1982; Shavit & Blossfeld 1993; Pfeffer 2008). High income groups, in sum, have the need, the ability and the formal access to use welfare services.

Table 2.1. The redistributive effect of universal and means-tested benefits

<table>
<thead>
<tr>
<th>Group</th>
<th>Average income</th>
<th>Tax (40 pct.)</th>
<th>Universal benefits</th>
<th>Means-tested benefits</th>
<th>Income after taxes and universal benefits</th>
<th>Income after taxes and means-tested benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (20 pct.)</td>
<td>1,000</td>
<td>400</td>
<td>240</td>
<td>0</td>
<td>840</td>
<td>600</td>
</tr>
<tr>
<td>B (20 pct.)</td>
<td>800</td>
<td>320</td>
<td>240</td>
<td>120</td>
<td>720</td>
<td>600</td>
</tr>
<tr>
<td>C (20 pct.)</td>
<td>600</td>
<td>240</td>
<td>240</td>
<td>240</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>D (20 pct.)</td>
<td>400</td>
<td>160</td>
<td>240</td>
<td>360</td>
<td>480</td>
<td>600</td>
</tr>
<tr>
<td>E (20 pct.)</td>
<td>200</td>
<td>80</td>
<td>240</td>
<td>480</td>
<td>360</td>
<td>600</td>
</tr>
<tr>
<td>Sum</td>
<td>3,000</td>
<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Ratio between group A and E</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>2.3</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Compare this situation with transfer programs. As thoroughly documented by Korpi & Palme (1998) and Korpi (2001), and contrary to Huber & Stephens’ claim (2000), transfer programs are predominantly provided as a citizenship right as well (except in some Continental European countries). Yet, benefits are almost always means-tested, implying that low income groups inevitably will receive the largest benefits, whereas high income groups often will not be eligible. As Tullock notes:

There is a rough rule of thumb by which we can detect which projects are designed to help the poor and which are not designed to help them. The rule of thumb is that if there is a means-test, i.e., if it is so arranged that it cuts off at a reasonable low level, then it is designed to help the poor […] The switch
from a means-tested to a general aid program would, in all probability, hurt the poor (1983: 97).

Cusack et al. (2006) moreover document that the risk of especially unemployment is skewed markedly towards low income groups. High income groups are, in short, both less at risk of coming to rely on transfers, but they are in general also less entitled to the benefits even in those areas where they will experience a need (like old-age pensions).

Korpi & Palme (1998) are from time to time referred to as support for the argument that left-wing governments pursue universal welfare programs, which, in turn, lead to increasing redistribution. They show empirically that universal welfare programs indeed are most pronounced in the Scandinavian countries that historically have hosted very strong left-wing governments. These countries are also among those that generate the highest level of redistribution, which, as the authors note, is an oddity on the face of it because the direct redistributive effect of universal programs is relatively small. They argue convincingly, however, that the provision of universal programs generates a coalition between low and middle income groups in society that is strongly supportive of the extensive welfare programs. That is, even though the direct effect of universal programs is small, universal programs generate support for so much welfare spending that the total effect becomes comparably beneficial to the poor.

Korpi & Palme’s argument undoubtedly captures something very important about the redistributive effect of welfare states. Two points are crucial to appreciate, however. First, Korpi & Palme study the aggregate effect of welfare states, not individual programs and, second, theirs is not an argument about how left-wing governments deliberately have pursued universal programs to ensure redistribution. Rather it emphasizes how it is a contingent outcome of a century of political conflicts. The first point entails that it is impossible based on the findings of Korpi & Palme to conclude that any specific program is particularly redistributive or not. If anything, their findings (1998: Figure 2 and 3) in fact indicate that the major motor of redistribution is how targeted transfer programs are, not the presence of welfare service programs.

The second point is perhaps even more important. Disregarding the impact of universal welfare programs, it is fairly well established that left-wing governments did not actively advocate or fight for universal programs during the formative phase of the welfare states. Rather, as highlighted by Esping-Andersen (1985; 1990), universal programs are the outcome of class compromises. Originally, left-wing governments, just like the labor movement in general (Rothstein 1992), fought for the narrow interests of low income groups, i.e., their core constituency. The first preference of the left was there-
fore not universal programs, but programs targeted at low income groups. Universal access was, to put it simply, the price the left-wing had to pay for extensive welfare spending in countries where the left was strong enough to force through reforms, but too weak to entirely dictate what the programs should look like. To the extent Scandinavian welfare states simultaneously host a lot of universal welfare programs and redistribute a lot, this is, in sum, a historical coincidence and not a strategic choice.

Rueda (2007) extends this basic argument to include modern-day left-wing governments as well. He shows that left-wing governments systematically focus attention – and spending – on labor market insiders on account of labor market outsiders. According to Rueda, this is rational because labor market insiders are the core voting constituency of the left-wing governments. While it does not focus on the question of universalism and redistribution explicitly, Rueda’s work is important because it documents how left-wing governments even today have a tendency to be more interested in benefits that are aimed exclusively at their own constituency than at the public at large.

Empirical evidence on the link between left-wing governments and welfare service provision

If the critique of the existing literature is correct, we should not find any positive association between left-wing governments and welfare service provision. The overall conclusion based on the six empirical papers of the project is that this in fact is the case: the evidence supporting the existing literature is weak at best. Looking at health care and social care, Worlds documents that in terms of the absolute levels of provision only social care follows the expected pattern with a lot of provision in the Scandinavian countries mirroring the historical dominance of the left here. Health care, on the other hand, displays remarkably similar levels of public spending across all Western countries.

It thus seems that social care historically has been a left-wing policy objective as is fairly well described in the more qualitative social care literature (Morgan 2002; Naumann 2005; Lindvert 2007). Following Lewis (1992) and Esping-Andersen (1999) it is, however, possible to argue that the expansion of social care services was pursued due to a preference for defamilisation, i.e., a wish to ensure the material independence of individuals, notably women, from the traditional family structure. The objective was not to enhance economic redistribution in society. The historical evidence, in short, suggests that the motive for left-wing governments when providing social care services to a greater extent concerned gender equality than economic redistribution. This supports the basic claim made here that left-wing governments are not expanding welfare service to secure redistribution.
*Worlds* studies the levels of provision, which is well known to be highly rigid over time even as the original determinants may have been exhausted and given way to new ones. *Determinants* show that the disconfirming picture for the existing literature is the same when looking at changes rather than levels. Yet when looking at changes there is no positive effect at all of left-wing governments on either health care or social care. This indicates that while left-wing governments historically may have been a driver of social care provision, this is no longer the case. As discussed in the next chapter, other factors seem to have emerged instead.

*Capitalist systems* and *Partisan politics* both study public provision of education. Neither paper shows any clear-cut positive association between left-wing governments and education when we include measures that capture the politics of social insurance as will be discussed in the next chapter. In fact, *Partisan politics* shows that left-wing governments are even negatively associated with spending on tertiary education compared to right-wing governments. The two final papers, *Institutions* and *The new politics*, focus on the sector level, discussing how institutions relating to this level to some extent may decouple the individual sector from the macro-level. In line with the new politics approach in general, these papers also show that sector-level institutions matter a lot as moderators of macro-level factors. While the influence of left-wing governments is not at the center of attention in these papers, it is controlled for and is documented to have had little or no effect on childcare policy in the cases studied.
Chapter 3: Social insurance and welfare service provision

In this chapter I move from a critique of the existing literature’s focus on left-wing governments and economic redistribution to a more positive account of what actually drives welfare services provision. The chapter posits that a root cause behind the provision of welfare services is their ability to function as insurance against social risks, especially those related to the lifecycle. The notion of social insurance has been used in studies of transfer programs previously (Baldwin 1990; Iversen & Cusack 2000; Estevez-Abe et al. 2001; Martin & Swank 2004; Iversen 2005), yet entails different things when used in the context of welfare services. First, because the types of risks often differ from those analyzed so far. The existing literature has focused on risks from the labor market, whereas welfare services predominantly, although not exclusively, relate to the lifecycle. Labor market risks are mostly alleviated via income replacement, but this makes little sense in the context of, e.g., failing health (where recovery is vital) and need of training (where education is pivotal).

Second, what is regarded as a ‘social’ risk varies a lot more across welfare programs than across transfer programs, which for the larger part of the 20th century has been viewed as a public affair. This variation is important because political intervention is dependent on the status of the risk as being ‘social’. Non-social risks are left to the market or family sphere by default, whereas risks that are defined as social by definition merit political attention (if not necessarily state intervention). As discussed in the chapter, the nature of the lifecycle risks and the status of these risks as social or not social interact in important ways that may help explain differences between welfare programs like health care, education and social care.

Lifecycle risks

Esping-Andersen (1999) distinguishes between class risks and lifecycle risks. Class risks relate to the position of individuals in the labor market and is the basis for most theorizing about social risks and welfare states. Baldwin (1990) was one of the first to explicitly theorize about how different segments of the labor market are subject to different levels of risk, forming the basis for alliances between social groups during the formative period of welfare states. The individual’s position in the labor market is also the starting point for the varieties of capitalism approach. Some individuals are considerably more at risk of suffering a loss of income, either due to short-term eco-
nomics cycles or more long-term structural changes, than other individuals. To a high degree this risk exposure is negatively correlated with income (Cusack et al. 2006). Given that risk exposure leads to pro-spending preferences (Iversen & Soskice 2001), there should be a clear tendency for low income groups to favor expansion of transfer programs.

Lifecycle risks are different from class risks because they are unrelated to the position of individuals in the labor market. Lifecycle risks are associated with youth (need for childcare and education), adulthood (maternity) and old age (need for health care and elder care). Lifecycle risks are in this sense characterized by two core features: They affect all individuals in society almost equally – at least much more equally than class risks; and the certainty of experiencing a need for childcare, education, maternity, health care and elder care is much greater than the certainty of experiencing unemployment. These are crucial points.

Since all individuals in a society are subject to lifecycle risks, the potential pool of users of welfare services facing these risks is much larger and widely dispersed along the income distribution than most transfer programs. This implies, as discussed above, that the redistributive effect of universal welfare services all else equal will be smaller because high income groups will use welfare services much more than transfer programs (whether or not these transfer programs are means-tested). It also implies that the pro-welfare coalition becomes bigger. Korpi & Palme (1998; 2003) argue that as middle and high income groups come to enjoy the benefits of welfare programs alongside low income groups, their willingness to shoulder taxes increases as does their resentment towards politicians who advocate retrenchment. All else equal, it should therefore be more difficult to introduce cutbacks on welfare service programs than on transfer programs.

The certainty of experiencing needs induced by the lifecycle means that it becomes difficult to provide sufficient insurance outside the realm of the state. Barr notes that market-based insurance is dependent on the lack of certainty. If everybody is more or less certain that they will come to rely on the insurance it is not possible to spread the risk across the insured, making private insurance schemes untenable as ‘the insurance premium exceeds the insured loss’ (2001: 19). This is important because it entails that lifecycle risks that are considered necessary to meet (i.e., are considered social) cannot be left to the market, essentially making state-sponsored provision the only viable solution. This is probably also why private spending in reality (with the notable example of health care in the United States, which, however, is heavily subsidized by the state) constitutes only a fraction of public spending on major welfare service programs like health care and education (OECD 2009).
The fact that welfare services predominantly meet risks emerging from the lifecycle of course does not imply that they cannot meet risks related to individuals’ position in the labor market as well. A good example is education. On the one hand it is strongly related to the lifecycle and one of the best predictors of spending on education is the number of young individuals (Capitalist systems; Partisan politics). On the other hand, education also protects against the risk of skills redundancy on the labor market (Capitalist systems). These two goals are not mutually exclusive. What is relevant to note, however, is that no matter where the risks stem from, the motive for provision will not be economic redistribution. In all instances the motive will be to provide insurance against social risks, which implies that left-wing governments will not be the motor behind spending.

**Social risks**

Risks are a fundamental condition of human existence, but the provision of welfare service programs is a fairly new invention. In short, acceptance that certain risks are a social concern does not follow automatically from the mere presence of risks, but to some extent develops according to its own logic. It is possible to outline three ways in which risks become social in the sense of meriting political attention (cf. Esping-Andersen 1999).

First, and perhaps most importantly, because individual circumstances may have societal consequences. Although functionalism has become unpopular in recent decades, it is evident that welfare services in fact produce a series of positive externalities. Without public financing, large segments of the population would refrain from educating themselves, with the adverse effect that the pool of human capital would either stop expanding or perhaps even decrease (Becker 1964). It may also entail that the public will be less willing to accept technological changes and changing labor market structure with dire consequences for the ability of companies to compete on the international market (Esping-Andersen 1999; Iversen 2005). It may also lead to an under-supply to the labor market of women who may be inclined to stay at home in the event of low levels of especially social care provision (Esping-Andersen 1999; Castles 2004). In the 1960s and 1970s this was part of the reason for expanding childcare and elder care in the Nordic countries and it seems to play an equivalent role today, also in the rest of the Western world where one of the major drivers of both health care and social care is rising female labor force participation (Determinants).

Second, what is regarded as meriting political attention changes over time along with cultural values and perceptions of positive externalities. Oorschot (2008) recently argued that there seems to be a hierarchy of risks with failing health and old age at the top in all Western countries. Historically,
these types of risks have received most political attention, which testifies to the importance of risks being perceived as worthy of public involvement (cf. also Korpi 2001). It is noteworthy that values of gender equality have been on the rise in the Western world (Inglehart & Welzen 2005). As public support behind equal opportunities rises, it becomes more difficult, all else equal, to justify opposition to welfare programs known to enhance gender equality, notably social care services.

This change in the underlying cultural values should be seen in the context of changing perceptions of the positive externalities of especially childcare. The positive externalities of health care and education are well established, but recently a new discourse has emerged emphasizing the societal benefits of providing not least professional childcare. The new discourse emphasizes how professional childcare is a prime source of human capital in a society, not only facilitating learning in the educational system, but also generating less dependence on transfer programs in the future (Esping-Andersen 2002; Mahon 2006; OECD 2006). This shift is relevant because, as argued by Bussemaker (1998) and Orloff (2006), gender-friendly policies like expanding childcare are much more likely when its provision is seen as generating clear economic externalities.

In Institutions and especially The new politics I study the role of these changing perceptions among political decision makers. It appears that across all Western nations a new understanding of the beneficial effects of childcare provision in the form of increasing human capital formation has emerged creating a new policy logic where state intervention is much more likely. Even in countries that are traditionally adverse to childcare, the new economic rationale has generated a positive focus on the area. This may also explain why female labor force participation was a weak predictor of health care and social care spending in the 1980s, but became stronger in the 1990s (Determinants). Although the existing institutional setup moderates this new impetus, as discussed in the next chapter, it is a testament to the importance of changing perceptions of positive externalities.

The third way a lifecycle risk may become social is with the increasing complexity of the production process. The production of some welfare services, e.g. health care, has in reality been so complex throughout the 20th century that provision has only been feasible outside the family. Education has also been professionalized throughout the 20th century, although many countries allow provision by non-professionals – something that is strictly forbidden in health care. In this sense education is more plastic, i.e., easier to produce in the public, the market, or the family realm. Social care services are in
this respect very plastic because they may be produced fairly easily by professionals or by family members without any training (Anttonen et al. 2003).

High plasticity also implies that politicians have much more room to impose their ideological preferences on delivery of social care services than of health care and education. This indicates that social care services in a country should bear the imprint of the dominant ideology to a much higher degree than other welfare services, notably health care. Empirically this is the case, as there is surprisingly little variation between countries in terms of public health care spending, but much more theoretically meaningful variation when it comes to social care spending (Worlds). The Nordic ‘welfare service states’ are in fact only different from other welfare states because they provide high levels of social care, not because of high levels of spending on other welfare programs.

Importantly, as political interest in the perceived positive externalities from welfare services rises greater focus on how the service is produced may be expected. In the past few decades this is especially apparent regarding childcare. Given that professional childcare is believed to generate human capital it becomes less acceptable to rely on the traditional forms of (un-) professional childcare. As I discuss in the next chapter, such changing perceptions of what constitutes good childcare are by no means uncontroversial; in some countries they have caused some of the biggest political conflicts in the childcare area in decades.

When a risk becomes social as defined here it simultaneously becomes a much less partisan issue, i.e., loses its characteristic as something that certain parties are promoting and other parties are fighting. Few political parties are, to exemplify, opposed to more human capital in a society. This does not imply a sort of functionalism where socio-economic factors directly translate into a political response. First of all, there seems to be a large measure of subjective assessment of whether or not a welfare service generates positive externalities. This may explain why countries that traditionally emphasize conservative values suddenly promote childcare even though the positive externalities from doing so hardly are new.

Second, we should expect the existing institutional setup to play an important moderating role. In the PhD project this interactive effect has mostly been studied in the two papers that focus on childcare (Institutions and The new politics), which will be discussed at length in the next chapter. Yet, the moderating effect can also be gauged in Capitalist systems where the existing capitalist system in a country is argued to moderate the effect of increasing de-industrialization. Here de-industrialization only leads to more educational spending in coordinated market economies (where the workforce has specific
skills), while there appears to be no effect in liberal market economies (where the workforce has more general skills). The difference exists because education is mostly relevant as social insurance in countries where the workforce has fairly specific skills since movement across sectors is easier when skills are general. It is, in conclusion, perfectly possible to argue that partisan governments do not matter without ending up with a functionalist argument that has no room for political and institutional factors.
Chapter 4:  
The new politics of welfare services

Since the seminal work of Pierson (1994; 1996), the new politics approach has become one of the main theoretical approaches in the welfare state literature alongside especially the power resource theory, which it originally was intended as a corrective to. As evident from the above discussion, it is the power resource theory broadly defined that has had most to say about the welfare service component. This appears odd, because some of Pierson’s core ideas would seem to travel very well to the welfare service component. This chapter discusses the new politics approach in relation to welfare services. While I argue that the approach does point at some important aspects of welfare service provision, a core problem is that it fails to develop a more systematic understanding of the production process of welfare services. I discuss how this may be done and the implications for how we should analyze the politics of welfare service provision.

The new politics approach

Pierson’s basic argument (1994; 1996) posits that modern-day welfare states are characterized by a series of strong vested interests that have been able to decouple individual policy sectors from the macro-level and, as a consequence, have been able to fend off unwelcome retrenchment initiatives. The argument is meant as a critique of not least the power resource theory, which argues that the development of the welfare state is driven by the presence of strong left-wing governments (and/or labor movements). As discussed above, left-wing governments pursue economic redistribution, welfare state spending being instrumental to that end (Stephens 1979; Korpi 1983; Esping-Andersen 1990; Huber & Stephens 2001; Bradley et al. 2003).

Pierson argues that while left-wing governments and the labor movement more generally may have been important in the postwar decades, they have become a victim of their own success in the sense that the expanding welfare state in the postwar decades generated new vested interests. These new interests, including the recipients and producers of welfare programs, have grown considerably in size with the welfare state itself and have emerged as highly influential political actors. The new interest groups are, however, not motivated by macro-level concerns like the overall reduction of economic inequality in a country, but much more with the wellbeing of the individual sector. As Pierson (1994: 29-30) states:

Analysis of the contemporary welfare state’s supporters must shift from organized labor to the more varied constituencies of individual programs.
Interest groups linked to particular social policies are now prominent political actors. [...] Interest groups did not build the welfare state, but the welfare state contributed mightily to the development of an ‘interest-group society’.

Two points should be noted here. First, the policy development of individual welfare programs is difficult to understand relying on macro-level factors like the power of the left; much more important is the strength of the sector-level interest groups. Second, the strength of these sector-level interest groups may vary considerably from one sector to the next. This entails that it, according to Pierson, becomes difficult to talk of the welfare state in a country because the policy dynamic is likely to be very different in different welfare programs. The within-country variation is, in other words, likely to be as great as, or greater than, the between-country variation.

Pierson’s new politics approach fundamentally adds up to an argument about how individual welfare programs have become decoupled from the macro-level. Pierson originally focused on how this decoupling implies that retrenchment becomes much more difficult: Even with strong right-wing governments it is very difficult to introduce large-scale cutbacks in welfare programs with a strong backing. Much research has followed from this basic proposition. Some authors argue that the basic argument of de-coupling is wrong, showing that government party color still seems to matter (Korpi & Palme 2003; Allan & Scruggs 2004); others provide additional empirical evidence supporting the new politics argument (Lindbom 2001; 2007); others suggest that the structure of party competition moderates the basic new politics proposition (Kitschelt 2001; Green-Pedersen 2002); and others have studied the multiple ways in which decoupled policy sectors may self-transform without the interference of macro-level factors (Hacker 2004; Streeck & Theilen 2005).

However, none of this research has paid that much attention to the special characteristics of welfare services, and the authors who do focus on this have a tendency to view welfare service sectors as merely an extreme case of transfer programs with stronger, more unionized producers. Pierson (1994: 30) is an example of this when he notes about the producers of welfare services that

[i]n this respect, organized labor (public employee unions) continue to be of significance. Their interests, however, were now linked primarily to the employment-generating effects of specific public programs [...] and their power was exerted more through individual unions than through broad union configurations.
In a half-forgotten early version of the new politics approach, King (1987) makes a very similar point, also underscor-ing the fact that welfare service producers like doctors, nurses and teachers often are organized in strong unions. While undoubtedly a correct observation it also basically implies that the main distinction between welfare services and transfer programs becomes one of degree: Transfer programs generally host slightly less strong (i.e., unionized) interests, while welfare services all else equal host slightly stronger interest groups. In my opinion the focus on the material strength of producers overlooks an important feature of welfare services, which in a much more profound way distinguishes welfare services from transfer programs.

**The production mode**

The simple fact that welfare service provision entails a transformation of the input (money) into an output (the actual in-kind service) makes the production mode very important. In transfer programs, there is no equivalent transformation of the input (money) when producing the output (cash benefits). The production mode matters in two interrelated ways. First, as discussed above, a very complex production mode makes it more likely that the state will have to intervene, whereas a less complex production mode makes it easier to leave the service production to the family. This is one of the underlying reasons for the much smaller cross-national variation in spending on health care compared to social care (*Worlds*). Second, with the rising awareness of the positive externalities of providing certain welfare services, state intervention becomes more likely, leading to a new kind of political conflict with equal focus on how the welfare service is delivered and on the levels of provision.

The question of how to deliver a welfare service is not uncontroversial. For several reasons, the producers, or professionals, of a welfare service have strong vested interests in the existing production mode and will consequently be hostile towards reform initiatives. Professionals are characterized by their specialist training as, e.g., doctors or teachers, which constitute an important power resource for these groups because it effectively makes them ‘the experts’. It also underlines the claim for jurisdiction by groups of professionals over specific functions in the production process of welfare services (the ‘turf’ of a profession). Doctors, to exemplify, might be unwilling to allow nurses to perform functions that traditionally have been within the turf of doctors, referring to the lack of specialist training of nurses (Abbott 1988; Freidson 2001).

Rising public awareness that a profession is not performing as expected may have political consequences. Salter (2004) thus argues that the British medical profession has suffered a serious loss of political power following
some high-profile public ‘scandals’ that revealed flaws in the existing production mode. The production process of health care is highly complex, and failing health has been regarded as a social risk for the better part of the 20th century. Childcare, as an example of a classic social care service, is very different. It is comparably simple to produce and there is great cross-country variation in terms of how professionalized care is. There is also great variation in the basic pedagogical principles pursued. Some countries adhere to the so-called readiness-for-school curriculum tradition, others to the social pedagogical curriculum tradition. These different curriculum traditions fundamentally add up to two very different production modes, guiding the mindset of professionals, experts, and to some extent also parents.

In Institutions and The new politics I have studied how such different production modes interact with a political preference for more childcare as a means to generate human capital. The childcare area is interesting because of a sudden shift in political attention since the mid-1990s. Some countries, notably the Anglo-Saxon nations and most of Continental Europe, traditionally regard the area as something meriting only the most minimal level of state involvement. In Scandinavia and France and Belgium, provision has generally, but based on very different rationales, been much more generous. In Scandinavia, childcare has historically been provided as a way to ensure female labor force participation and gender equality, while childcare in France and Belgium was a means to counter religious indoctrination in Catholic preschools (Lewis 1992; Morgan 2002; Worlds). In the latter two countries, childcare became tightly integrated with the primary school, and preparing children for schooling became a core objective of childcare. In Scandinavia childcare became an objective in itself following a social pedagogical curriculum tradition, whereas readiness for schooling was considered (morally and pedagogically) wrong.

The effect of these different production modes is quite dramatic. While the readiness-for-school curriculum tradition fits well with the notion that childcare is a way to generate human capital, the social pedagogical curriculum tradition fits poorly with this idea. In the latter tradition, a focus on schooling is at odds not only with the existing norms, but also with the interests of the professionals. The professionals who have been trained according to the social pedagogical curriculum tradition may perceive a move towards a readiness-for-school curriculum as an attack on their autonomy and turf. The political decision makers are, on the other hand, likely to favor a movement towards a readiness-for-school curriculum, which is perceived as the best way to generate human capital.
Consequently, whereas the major issue on transfer programs is how much money is spent on an area, the more qualitative aspects complicate the picture when it comes to welfare services. Especially in countries with a production mode that conflicts with the politicians’ end-goal, the policy dynamics are likely to be very different. The professionals will be motivated by a preference for, first, securing the existing production mode and, second, additional fiscal resources; the politicians will be motivated by a preference for transforming the production mode before allocating additional resources. As discussed in *Institutions* and *The new politics*, this generates a complex dynamic in different countries depending on the existing production mode and the strength of professionals.

In the PhD project I have only studied the childcare sector, but there is little reason to believe that the logic cannot travel to other welfare services. All professions are, thus, interested in maintaining the existing production mode because their professional autonomy and turf, effectively their livelihood, depend on it. Politicians are, conversely, interested in maximizing the perceived positive externalities of provision. Compared to transfer programs, this demands a greater interest in the production process because the production process determines whether or not positive externalities will emerge.
Chapter 5: Conclusion

The welfare state is probably one of most intensely studied areas in political science. Scores of books and articles have been produced on a multitude of welfare programs and their determinants. One of the major lacunas in the existing work, however, is the lack of systematic research on the welfare service component. Few would disagree that this is an oddity given the sheer size of the component, but so far little work has been done to conceptualize if and in what ways the welfare service component is different from the transfer component. The comparably few studies on the welfare service component mostly assume that the political logic underlying transfer programs, where strong left-wing governments expand provision, can be transported to the welfare service component.

The arguments presented here should be sobering to these attempts at sweeping generalizations. I have basically promoted two points. First, welfare services and transfer programs are unlikely to be driven by the same underlying logic, at least if expanding transfer programs are believed to be caused by strong left-wing governments. Second, even between individual welfare services one is likely to find a large measure of variation. To view health care, education, and social care as one and the same thing is unhelpful if we want to understand more precisely what determines the level of their provision.

This conclusion should, of course, not be read as a warning against studying the welfare service component as such. I have argued that the basic driver is the same across all welfare services, but that the concrete expression will vary considerably. By this I mean that it is possible to view all welfare services as a response to social risks. Social risks, especially those relating to the lifecycle, have a tendency to reduce partisan differences because they have aversive effects on all income segments. Why would a right-wing party be less concerned than left-wing parties with addressing the public fear of health problems, which also middle and high income groups may suffer? Education is at least as relevant for the constituency of the right-wing as it is for the constituency of the left. Given that education is already provided by the state, why would anyone expect a right-wing government to reduce spending on a program that its constituency relies on? If anything, when middle and high income groups benefit more than low income groups, right-wing governments will expand provision (Partisan politics).

The response to this common driver is likely to be different in different areas for two interrelated reasons. First, the risks are qualitatively different and therefore call for different services, which is something entirely distinct
from how risks are handled in transfer programs. Failing market income, disregarding whether it is caused by unemployment or old age, is met by income replacement. Programs securing this income replacement are by definition transfer programs. That is, across all transfer programs risk is transformed into a common metric (loss of income) as is the type of protection offered (income replacement). Contrary to transfer programs, producing health care, education, and social care are hugely different enterprises. In the main, health care and education can only be produced in professionalized settings, whereas social care is much more plastic. This entails that there is much more room for substituting public provision with the family when it comes to social care services. Yet the different production modes also imply that the exact setup of preferences will vary from one sector to the next. In the childcare area, I suggested that the curriculum tradition would be pivotal, but evidently this is unlikely to be the case when it comes to health care.

Second, not all risks are regarded as social. Some, like failing health, have been social for decades; others, like maternity and lack of pre-school training, have only recently begun to merit such attention. This is crucial because political action is unlikely in areas that are viewed as more or less private. As was the case with smoking until recently, certain lifecycle risks were basically regarded as private affairs, outside the scope of government. As with smoking, things have changed along with the realization that political action may be instrumental in creating big positive externalities, which can justify adopting a new policy position.

The arguments and empirical results of the papers of the PhD project point towards future research, as discussed in detail in the individual papers. Yet, the conclusions also indicate some broader lessons, which may be of value beyond the study of welfare services. The most important point is that mono-causal explanations of welfare state dynamics may be less fruitful than implied by its wide popularity in the literature. True, I have studied the welfare service component only, but would nevertheless argue that my work constitutes a caveat to the literature at large as well. More to the point, is it credible to assume that all transfer programs are equally redistributive, or is it more realistic to presume that some programs have a larger effect than others? I would presume the latter, noting that major transfer programs like unemployment insurance and other working age benefits relate to labor market risks, whereas old-age pensions relate to lifecycle risks. Indeed, in an earlier iteration of the current argument I suggested that unemployment protection is characterized by a completely different policy dynamic than old-age pensions for exactly this reason: the nature of lifecycle risks means that old-age pensions become a non-partisan issue (Jensen 2007; 2009). Corroborat-
ing this, Castles (2009) finds that left-wing governments only seem to be po-
sitively associated with spending on working age transfer programs, not with
spending on old-age pensions.

A second general lesson concerns the role of what Bonoli (1997) called
the ‘how’-dimension of welfare states, i.e., how welfare programs are pro-
duced and delivered. He notes that the existing literature has an unfortunate
tendency to focus a lot on the ‘how much’-dimension, i.e., issues of how much
welfare is provided and who has an interest in this outcome. Since Bonoli
wrote his article, little has been done to amend this shortcoming, yet I have
tried to show that taking the how-dimension seriously may facilitate our un-
derstanding of the political dynamics of welfare programs. The childcare area
clearly suggests that the production mode is an important moderator of ma-
cro-level factors, and there seems to be no particular reason why this should
be a result that speaks only to the childcare sector or welfare services in gen-
eral. Clearly, the production of transfer programs is, as noted, much less
complex than the production of welfare services. But other aspects of the
how-dimension may play a similar role as the production process does when
it comes to welfare services, including the entitlement and benefit mode

Returning to the debate between the new politics approach and the pow-
er resource theory outlined in Chapter 1, a few additional points may be
worth making. For one thing, while the role of the left may be overrated
when it comes to welfare services, this does not imply that the new politics
notion about sector-level decoupling has been verified. The sector level does
matter as a moderator of the macro-level, but this does not mean that macro-
level factors are irrelevant as a motor of change. In the recent literature on
institutional change this often seems to be implied in concepts like ‘self-trans-
formation’ and ‘cumulative, but transformative change’ (Streeck & Thelen
2005; Trampusch 2009). Macro-level factors, like the idea among politicians
that childcare may generate human capital, constitute a very real impetus
that creates changes that are far from incremental as I show in Institutions
and The new politics (see also Jensen 2009). Investigating the complex rela-
tionship between the macro- and sector-levels is probably among the most
difficult, but also potentially fruitful lines of inquiry for the literature.
Appendix: Methodological considerations

This appendix first discusses some important issues regarding the quantitative studies, followed by a discussion of how to study institutionalized interests and the production mode. Given the lively methodological debate in the literature in general and the distinct characteristics of welfare services, this is an important topic to address. The more detailed discussions concerning the methodological choices of the concrete studies are found in the individual papers. The first subsection draws extensively on Less bad than its reputation.

Studies of left-wing government and social insurance as determinants of welfare service provision

The welfare state literature in general relies on both qualitative and quantitative analytical techniques and is home to a lively methodological debate (Mjøset & Clausen 2007; Clasen & Siegel 2007). However, the literature on welfare service provision has had a clear bias towards quantitative techniques (e.g., Boix 1997; 1998; Castles 1998; Huber & Stephens 2000; Busemeyer 2007; 2009; Iversen & Stephens 2008), whereas qualitative studies are much fewer in number. The bias presumably stems from a similar bias in the power resource theory from which much of the literature originates, and which is overwhelmingly quantitative (e.g., Stephens 1979; Korpi 1983; 1989; Esping-Andersen 1990; 1999; Castles 1998; 2004; Hicks 1999; Huber & Stephens 2001; Bradley et al. 2003).

The state of the literature makes it appropriate to rely on quantitative analysis as the primary technique in the project. Relying on quantitative analysis has certain advantages apart from allowing us to compare the findings directly with the existing literature, but also raises a number of issues that need to be discussed. A major advantage is that the scope of the analysis is expanded considerably across both time and space. With the substantial amount of data that has been collected and made public over the past decades it is now possible to study developments in provision at least all the way back to 1980 in around 20 nations across most of the major welfare programs, allowing for what may de facto be viewed as population studies. Another advantage that does not relate to the welfare state specifically is the possibility of controlling for alternative explanations much more comprehensively than in qualitative studies (King et al. 1994).

Welfare service provision is, just like welfare provision in general, almost always measured as public expenditure as a percentage of the GDP in quantitative studies (Green-Pedersen 2007; Siegel 2007). There are both positive and negative reasons for relying on spending as a percentage of the GDP. The positive reason is that the measure, when appropriate controls are included,
captures the willingness of the state to provide welfare given its available resources. Disregarding whether provision is a means to secure economic redistribution or social insurance by the state, the concrete expression of this will be the allocation of funds to specific welfare programs believed to generate the preferred outcome.

It may be argued that welfare service provision is more than this – both in terms of the institutional setup and the outcome. Broadly defined, the institutional setup concerns how provision is regulated and how it is produced (Barr 1998; Goul Andersen 2007). None of these features are irrelevant and I in fact argue that the production mode is an important conditioning factor that needs to be taken into account. Yet compared to the question of how much redistribution or social insurance is provided, these issues invariably must be secondary because the political conflicts over redistribution and social insurance first and foremost concern the scope of public funding.

Welfare service provision also generates an outcome, which evidently is what motivates political decision making in the first place. Sometimes it is, however, forgotten in methodological debates in the welfare state literature that while lower economic inequality or improved social protection is what motivates political action it is not a reasonable measure of political action per se. To put it another way, spending measures are from time to time argued to be an imprecise proxy for outcomes.² Yet this critique overlooks that the literature is not about political actors providing redistribution or social insurance, but about how political actors motivated by redistribution or social insurance concerns allocate public resources to welfare programs.

There are also more negative reasons for relying on public spending. The first is that public expenditure is the most widely available measure on welfare provision. Korpi and his collaborators as well as Scruggs (2004) have collected data on replacement rates on a couple of transfer programs, but no equivalent exists when it comes to welfare services. This partly reflects the transfer bias of the literature and entails that the use of alternative measures often diminishes the scope of the analysis. Yet also the generic qualities of welfare services make public spending an appropriate choice.

It is above all difficult to establish a common yardstick that makes comparison of different welfare service areas valid. One can imagine a number of measures of welfare service provision, including the user-employee ratio as well as access. Yet, is a user-employee ratio of, say, 10:1 equivalent in health care and education? Probably not. And given that access to health care and education in most Western countries for all practical reasons is universal, it

² This claim is in fact quite questionable at the aggregate level. Korpi & Palme (1998) and Bradley et al. (2003) show that big spenders are also big redistributors.
makes little sense to use differences in access between countries as the measure of welfare effort. Some authors have suggested the ratio between public and private provision (normally in spending, but sometimes also enrolment rate or some third measure depending on the area) as an alternative (e.g., Ansell 2008), but in my opinion this misses the point entirely. The relative involvement of the state cannot be of primary interest. Rather it is the absolute level because this captures the willingness of the state to intervene given its available resources.

This is also why spending per capita is a less convincing measure than spending as a percentage of the GDP. The former fails to consider the crucial fact that there are quite substantial differences between Western nations in terms of wealth available. As shown in Castles (2004), the United States, a classic welfare laggard, spends approximately the same on welfare as the overall mean in 21 OECD countries when measured as spending per capita, but only two thirds measured as percentage of the GDP. The first measure is driven by the overall level of wealth, whereas the latter much better captures the fact that political decision makers in the United States have been more unwilling to allocate public means to welfare programs compared to decision makers in other nations. True, one can correct for overall per capita wealth statistically, but that is like carrying coal to Newcastle, while at the same time making the measure less comparable with the mainstream of the literature. For these reasons the papers of the project rely on public expenditure as a percentage of the GDP as the main measure of welfare service provision.

Quantitative data on most of the potential explanatory factors exist all the way back to 1980 as discussed in the individual papers. Yet, data collection is one thing, data analysis another. The main technique used in modern-day quantitative welfare state analysis is time series-cross section regression. The literature is characterized by the frustrating fact that there is no convention on the appropriate model specification yet. In the literature, this is from time to time viewed as a testament to the problems of using not least time series-cross section regression analysis because even minor alterations in model specification can have a substantial impact on the findings. It is often the case that methodological choices intended to solve one statistical problem cause other problems (e.g., Kittel & Winner 2005; Plümper et al. 2005).

In my opinion, the root cause of the lacking convention is that different empirical questions demand different estimation techniques. In the papers I, too, rely on more than one estimation technique to study the different aspects in the most adequate way. Yet, as a matter of fact, it is possible to reproduce almost all the main results from all the papers using a single estimation technique, namely the one recently suggested by John D. Stephens and his colla-
Studies of institutionalized interests and welfare service provision

The effect of left-wing governments and most social risks are fairly easy to capture in a large-N quantitative study. The moderating influence of institutionalized interests is much harder to measure for two reasons. First, off-the-shelf data on how the vested interests are institutionalized vis-à-vis the production mode does not exist, at least partly because this is an aspect that is rarely conceptualized explicitly. Second, it may often be hard to distinguish material factors like fiscal resources and number of employees from the influence of a more immaterial factor like production mode.

In two papers from the project, the childcare sector has been singled out for more detailed study, partly in a cross section regression analysis and partly in a four country case study. Childcare is interesting because it very nicely brings out how interests relating to the production mode are distinct from interests relating to material factors. The clear-cut split has surfaced following the emerging political interests in the positive externalities that the provision of childcare services are believed to generate. Increased human capital is argued to entail a better skilled workforce and, hence, also a better performing economy and less dependence of individuals on government programs in adulthood (Esping-Andersen 2002; Lister 2003; Mahon 2006; OECD 2006). However, only certain forms of childcare are viewed as increasing human capital formation in society (the ‘readiness-for-school’ curriculum tradition), whereas the alternative form of childcare is not believed to have this effect (the social pedagogical curriculum tradition). That is, in some countries the existing production mode conflicts with the politicians’ preferences, while in other countries it does not. Since both childcare traditions are found in countries that have strong and weak vested interests, it is possible to study the effect of the conflict while keeping the material strength of the vested interests constant.

Given that the childcare sector is characterized by two rather distinct production modes it is also possible to generate a dataset that captures this more qualitative aspect across a fairly large number of countries. This way it is possible to make a first evaluation of the importance of the production mode in a quantitative setup. Focusing on a single policy area it is also possible to analyze the impact of the production mode more in-depth than is feas-
ible in a quantitative study. This is relevant because I want to know how the production mode more precisely taps into the political process, which is only possible to gauge via a study of the political processes in a small-N setting. Following this, I have conducted both a quantitative cross-section regression analysis using a new dataset on the two competing curriculum traditions (Institutions) as well as a four country case study (The new politics), which in combination should allow me to survey the role of institutionalized interests and production mode.
References


Summary

The PhD project studies the determinants of welfare service provision. Welfare services are much understudied within the welfare state literature, which overwhelmingly has focused on transfer programs. The PhD project consists of seven papers and a report. The papers provide detailed studies of different aspects of the politics of welfare services, while the report presents a general discussion that ties the individual parts together.

The existing literature that actually studies welfare services predominantly adheres to the power resource theory, expecting left-wing governments to be the main driver behind welfare service provision. The contribution of the PhD project is threefold. First, to show that there is neither theoretical nor empirical reason to suspect left-wing governments to be particularly keen to promote provision of welfare services. This goes against the existing literature, but I argue that if left-wing governments in fact are motivated by a preference for economic redistribution as suggested by the power resource theory, then welfare services is a much less efficient means of achieving such redistribution than transfer programs.

The second contribution is to show that the common denominator of the politics of welfare service provision is that it generates protection against social risks stemming especially from the lifecycle. Importantly, since the degree to which different risks are considered ‘social’, i.e. merit political attention, varies, the degree of state intervention also varies considerably across different welfare services. The PhD project takes this variation seriously, but also argues that it is possible to discern a common ‘social insurance logic’.

The third contribution is to show how this main driver of provision is mediated by the institutionalized interests related to the production mode in the individual policy sectors. Surprisingly, very little research has been done on how vested interests become institutionalized when it comes to welfare services specifically. I argue that institutionalization is very different in welfare service areas compared to transfer programs. On the former the production mode is of much greater importance than on the latter, which generates a very distinct political dynamic.
Danish summary/Dansk resumé

Ph.d.-projektet undersøger, hvilke determinanter der driver udbuddet af velfærds service i vestlige lande. Velfærds services er generelt et underbelyst emne i velfærds stats litteraturen, der primært har fokuseret på overførsels ordninger såsom alderdomspensioner og arbejdsløshed sunder støttelse. Ph.d.- projektet består af syv papers og nærværende rapport. De syv papers indeholder detaljerede studier af delaspekter af velfærds service området, mens rapporten præsenterer en bredere diskussion, som forbinder de enkelte delaspekter.

Den eksisterende litteratur, som rent faktisk har studeret velfærds service området, har helt overvejende anvendt den såkaldte magtressourceteori. Denne teori forventer, at socialdemokratiske re geringer vil søge at ekspande re udbuddet af velfærds services. Ph.d.- projektet kommer med tre bidrag i den forbindelse. For det første viser projektet, at der faktisk ikke er nogen sammenhæng mellem socialdemokratiske re geringer og velfærds services generelt. Det er der heller ingen grund til at forvente, idet velfærds services faktisk genererer væsentligt mindre økonomisk omfordeling end overførsels ordninger.

For det andet viser projektet, at en fællesnævner for alle velfærds services er, at de udgør en forsikring mod sociale risici, ikke mindst sociale risici der stammer fra livscyklen. Idet det varierer en del, hvorvidt forskellige livscyklusrisici bliver betragtet som sociale, altså er værdige til politisk opmærksomhed, vil graden af stats intervention også variere ganske betragteligt mellem forskellige typer af velfærds services.

For det tredje viser projektet, at socialforsikringslogikken er modereret af de institutionaliserede interesserer på de enkelte service områder. Lidt overraskende findes der ikke ret meget forskning om, hvordan interesser bliver institutionaliserede på velfærds service områder, selvom velfærds stats litteraturen har studeret institutionaliserede interesser i bred forstand igennem et par år tier. Jeg argumenterer for, at den måde, hvorpå interesser på velfærds service områder bliver institutionaliseret, er meget forskellig fra andre velfærdsområder, hvilket skaber en meget distinkt politisk logik. 