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Western European Welfare States in the 20th Century: Convergences and Divergences in a Long-Run Perspective

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The study investigates the welfare systems in Western Europe in the course of the so-called 'short 20th century' (1918–1990) from a long-term comparative perspective and focusing on the convergent versus divergent features of development. Various indicators examined show that in terms of relative level of welfare expenditures, features of welfare institutions and social rights, there were significant differences between Western European countries in the first half of the 20th century, but diversity significantly decreased by the 1950s, and the tendency of convergence continued steadily in the next two decades. Subsequently, changes in variation between countries from the 1970s onwards displayed a somewhat less clear-cut pattern, but in several areas the convergence continued. As a result, in 1990 the differences between the Western European countries can be regarded as less significant in that respect than in the middle and especially at the beginning of the 20th century.

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Key words: welfare state, convergence, twentieth century, Western Europe, comparative social research, social security

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Although the interest in convergence between industrial societies clearly decreased in the social sciences during the 1970s and 1980s, more recently convergence has become not only a frequent word in the vocabulary of the European Union, but it has also reappeared in comparative social research. As a sign of this, several comparative works have explicitly taken up the question of whether European societies converged or diverged in the last decades (Crouch, 1999; Kaelble, 1990; Langlois, Caplow, Mendras & Glatzer, 1994; Therborn, 1995). At the same time, while the convergence theories of the 1950s and 1960s mainly dealt with the problem of convergence between communist and capitalist countries, applying the framework of modernisation theories, the interest has shifted lately to the analysis of social and economic trends inside the European Union, as well as between the European Union and the member candidate states.

This article deals with welfare state development, focusing on the existence and extent of convergence versus divergence between Western European societies in the period that historians often call the 'short 20th century' (1918–1990). The comparative welfare research has some major shortcomings in that respect. As the most significant lacunae, the time-horizon of the related research has been surprisingly narrow so far, although convergence is a phenomenon that implies the time-dimension by definition. Earlier works concentrated on a short period of time, mainly one to three decades after 1960. Despite Wilensky's plea for a long-term approach several years ago (Wilensky, Leubbert, Hahn & Jamieson, 1985), comparative longitudinal studies have not been undertaken in this field. On the other hand, with only some exceptions (Alber, 1981; Kosonen, 1995), previous works used broad aggregate data analysis of expenditures. These data might reveal important tendencies, but they also might conceal differences in important areas below that aggregate level, such as differences in the conditions of welfare eligibility, levels of benefits etc. The major aim of the paper is to address these two shortcomings of the research: to carry out an analysis as long-term as data make it possible, and at the same time include not only aggregate expenditure data but also other important aspects of welfare development. We primarily seek to explore Western European welfare state development by answering the following questions: have 20th century welfare systems converged or diverged in Western Europe? In which periods and in which areas of welfare development can convergence and divergence be observed?

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The article is structured as follows: in the introductory section we consider methodological problems. Then we describe changes in welfare expenditures in the course of the 20th century by applying different definitions. The next section reveals the development of welfare institutions, including variables such as the timing and sequence of the introduction of programmes, the process of differentiation and the changes in the structure of individual welfare programmes. The fourth section examines developments in the coverage of welfare schemes, the eligibility for welfare benefits and the relative level of benefits. Lastly, we summarise the results.

Introduction

The study of welfare states and programmes is undoubtedly one of the most advanced fields of comparative history and historical sociology (cf. Alber, 1982; Baldwin, 1990; Flora, 1986–1987; Flora & Heidenheimer, 1981; Heclo, 1974). Comparative studies have significantly contributed to the analysis of the characteristics of the welfare state as well as drawing a picture of the determinants of the formation and development of welfare systems. It is the abundance of such research that makes it impossible to give even an outline of the relevant literature here. Instead, we refer to reviews published elsewhere (e.g. Higgins, 1981; Jones, 1985; Pierson, 1991), and the related literature will be cited where appropriate in the discussion that follows. We should address here, however, at least some of the most important methodological aspects of the present research.

As to research design, the variables selected for comparison should reflect the main aspects of welfare identified in research on Western European welfare states, also considering the diversity of these states beyond welfare expenditures or any other single dimension; however, at the same time, the variables have to make long-run historical comparison possible, as well as the assessment of the dynamics of changes in some form. Our aim was to compile data series on welfare development so that long-term analysis became possible. Considering the above, the major variables of the present comparison are:

1. welfare expenditures (the relative size of welfare expenditures based on different methods of calculations, and expressed as percentage of the economic output);
2. relative importance of welfare institutions (the existence of programmes; the sequence of introduction; the process of expansion and differentiation of the programmes; the changes in the structure of expenditures); and
3. characteristics of welfare rights (what percentage of the population receives benefits based on what principles; the level of benefits).

Obviously, there are other possible aspects for analysis, e.g. the degree of redistribution through welfare institutions, the role of state and public organisations in different areas of welfare, issues of legal regulation, the decentralisation versus centralisation of administration, the role of gender in welfare etc. (Ritter, 1989: 102). Nevertheless, the aspects selected cover most of the major elements discussed in the literature (Alber, 1982: 42; Esping-Andersen, 1990; Therborn, 1995: 96).

Our most important thematic limitation is comparing the development of welfare states primarily through the development of *social security*, and first of all its major component, the social insurance system.[1] This choice is supported by the significance of social insurance programmes and the availability of historical data (Heidenheimer, Heclo & Teich, 1990: 229). However, this limitation can undoubtedly reduce the validity of findings significantly. At the same time, stylistics is not the only reason for using the notion of welfare state while discussing mostly social security. Despite the constraints, we find that the areas examined are good indicators of major tendencies in the development of the welfare state. Thus the approach might be inappropriate for the intended comparisons but would at least serve as a starting point for further, more comprehensive comparisons.

Another justification for the limitation indicated above is that the questions we would like to answer about social convergences in 20th-century Europe obviously need the analysis of a large number of societies over a long period of time. Such research, by its very nature, demands greater compromises in methods and the covered areas than does a research more limited spatially and chronologically.

An important methodological problem – present in many comparative studies – is what is being compared with what; i.e. what is regarded to be the *unit of comparison*. It is not evident which countries are regarded as *Western European* ones. When selecting the countries for the sample, an effort was made to include ones that produced similar socio-economic and political development in the 20th century. Thus among the countries analysed, besides Norway and Switzerland, the present EU member states are included with the exception of Spain, Greece, Portugal and Luxembourg. The inclusion of the latter country was hindered by very practical reasons, namely the unavailability of sources. Nevertheless, no attempt has been made to claim that other countries could not have been considered for inclusion.

[1] We use the term social security to refer to social insurance and its assimilated schemes (family allowance, maternity benefits). Although we try to employ the terms in their exact meanings, because of the relatively minor significance of the latter programmes in most countries and periods, social security is virtually interchangeable with the term social insurance.

There are several international *data sets* containing welfare data (Flora, 1983; Flora, 1986–88; ILO, 1949ff; OECD, 1985). However, none of them covers the whole period under investigation, and all of the areas and 13 countries we intend to incorporate into the study. Using different types of sources, we compiled own our data set which contains several indicators on welfare change (Tomka, 2003). This set of indicators also has its limitations. For some years and areas of welfare we were unable to obtain appropriate data and the quality of some of the existing data might be unequal. However, we believe these limitations do not seriously restrict the intended comparison.

Expenditures

In the following, the changes in welfare expenditures in Western Europe will be examined in four different areas. First, the major social insurance programmes (accident, pension, sickness and unemployment) and public expenditure on health will be explored. In the first decades of the 20th century these data are complemented by indices of government social spending (health care, pensions, housing and unemployment). The ILO data collection of social security expenditures provides information about the period following World War II based on a broader definition, including family, maternity, invalidity and survivors benefits besides the four main social security programmes and public health expenditures and also social security services to public employees. Lastly, the OECD data collection on social expenditures has an even wider scope, embracing education and housing-related public expenditures as well as investments in the welfare sector, in addition to the programmes surveyed by the ILO.[2]

The research literature usually regards Germany as the vanguard at the turn of the century with regard to social insurance expenditures and social expenditures in general. In 1900 about 1% of the gross domestic product was spent on these services, while 2.6% of the GDP was spent on social insurance and poor relief before World War I (Flora, 1981: 359). However, a relatively large body of comparable data regarding Western European social insurance expenditures is available only from as late as 1930. At this point it was still Germany where the most resources, 5.2% of the GDP, were allocated for these purposes. Great Britain was second on the list with 4.6%, with Austria closely following with 4.4%. Ireland and Denmark came in the middle (2.8 and 2.6%), while other Scandinavian countries spent a markedly lower percentage of their domestic product, 0.7% Finland and 1.1% Sweden, on social insurance (Tomka, 2003).

When inquiry is restricted to government social spending, i.e. when social insurance services financed by employers and employees are excluded while other types of social expenditures (e.g. assistance) are included, a completely different picture emerges. According to Peter Lindert's calculations, in 1900 the governmental welfare expenditures in Denmark amounted to 1.41% of the GNP, followed by 1.24% in Norway, but indices of the United Kingdom and Sweden also exceeded the 0.59% found in Germany, the country leading in terms of social insurance expenditures (Lindert, 1992). For the next few decades all the countries examined are characterised by dynamic growth, Germany showing the highest rate, so much so that by 1930 it became the leader also in terms of government social spending, which reached almost 5%. Ireland was close behind, while the United Kingdom and Scandinavian countries were in the middle of the list. It must be pointed out here, though, that Lindert includes neither pensions paid to public employees nor any other social benefits among government social spending, but rather considers them to be part of the earnings. The inclusion of benefits for public employees would significantly alter the amount of expenditures in a number of countries.

Returning to social insurance expenditures, from 1950 onwards complete data sets are available regarding the four main programmes in the examined Western European countries, which are of better quality and consistency than the former ones. Figures from the middle of the century exceeded those two decades earlier everywhere, though statistics from this period onwards will include public expenditures on health as well.[3] The only exception was Germany, which was badly hit by the war and unable to reach the relatively high level of expenditures of the first half of the century. Growth in the 1950s was also steady, although the rate was lower than in the preceding two decades. It was the 1960s and the first half of the 1970s that saw the most dramatic increase. In the latter period, for example, in a number of the countries (Italy, Ireland, Switzerland and West Germany) the ratio of social insurance and public health expenditures to GDP rose by 50% only over a few years. Although up to the middle of the 1970s growth was universal, the

[2] Recently the OECD has not been considering educational expenditures, but their calculations include, in addition to the above, the costs of active measures regarding the labour market and housing supports (OECD, 1996: 3–7).

[3] Between 1950 and 1977 public health expenditure includes free hospitalisation, medical care and sanitation. From 1978 onwards a narrower definition applies. In countries with a state health-care system (United Kingdom, Italy, Denmark, Finland, Ireland, Norway, Sweden) the costs of the systems are included in the public health expenditures until 1977 and in social insurance expenditures from 1978 onwards (ILO, 1985: 2–3, 78).

dynamics of expenditures and their levels were uneven across countries. In 1975, Sweden, having the highest rate of growth alongside with the Netherlands and Italy in the previous decades, spent twice as much on social insurance and public health than the United Kingdom. The most striking change took place in the relative position of the United Kingdom: in 1950 it was at the top of the list closely behind Germany, but, its expenditures stagnating, by the mid-1970s it was the country in Western Europe that spent the least on social insurance in relation to its GDP.

The middle of the 1970s can be regarded as a watershed in a sense that from this time on there is an almost general decline in the growth rate of expenditures in most countries. Moreover, in the second half of the 1980s the ratio of social insurance expenditures had already stagnated or even decreased in a number of the countries. The most dramatic fall took place in Ireland, Finland (which saw the fastest growth at the beginning of the 1980s) and in the United Kingdom. The Western European average at the end of the 1980s was lagging behind the average of five years earlier and only slightly exceeded the level of ten years before (Appendix). This occurred in tandem with a further differentiation between the countries of Western Europe. At the end of the period examined, the Netherlands, having the second highest ratio (20.9%) was lagging well behind the 28.6% of Sweden, while the countries spending the least on social insurance relative to their GDP were the United Kingdom (9.9%) and Switzerland (11.4%).

Beyond the methodological problems already mentioned, the comparability of the above social insurance figures is limited somewhat for the reason that the special schemes for public employees are not included, which affects countries to different degrees, depending on whether they had a programme of this kind and, if such programmes existed, how developed these were. Consequently, the data of the countries where these programmes had a major role (e.g. Germany, Austria) appear to be lower than they actually were, because a proportion of their citizens received benefits through these programmes and not through the normal social insurance schemes.

The ILO data collection on social security expenditures provides better figures for comparison than social insurance expenditures in the narrow sense (cf. Flora, 1983: 456; ILO, 1985: 57–58; ILO, 1996: 74–75, 2000). For the decades following World War II, social security expenditures show a pattern of growth similar to social insurance expenditures with a slower rise at the beginning and end of the period, and rapid increase in the 1960s and 1970s. The path taken by individual countries was also similar to what could be seen in the case of social insurance. West Germany had the highest rate of expenditures in 1950, and France, Belgium and Austria alike spent large amounts on these purposes. At this time the Scandinavian countries, the Netherlands and Switzerland were among the countries spending the least. The highest rate of growth is characteristic of exactly this latter group of countries, with the exception of Switzerland where the rate of growth was steadily low from the middle of the 1950s until the end of the examined period. Countries that had been traditionally big spenders (West Germany, Belgium, Austria) were surpassed by the Netherlands at the end of the 1960s and a decade later it was Sweden heading the list. Regarding the period between 1950 and 1990, Sweden had the highest rate of growth, with the Netherlands and Denmark close behind. France also witnessed a high rate of growth in this period, while the United Kingdom had the lowest percentage of rise in social security spending and the West German rate of growth was also moderate. By the end of the 1980s, Sweden's expenditure rate of 35.9% was the highest, leaving the almost identical rates of the Netherlands (28.5%) and Denmark (28.4%) well behind.

Employing the broader OECD-definition of social expenditures, the ratio of expenditures to the GDP will significantly increase, in some cases it will double or even triple compared to social insurance expenditures.[4] This was the case already at the beginning of the century. In 1913 Germany spent 6.1% of its GDP on welfare purposes in the wider sense, such as social insurance, education and public health, which was the highest ratio in Western Europe. In the early 20th century, Switzerland, the United Kingdom and Ireland also had a high expenditure ratio (Pierson, 1991: 111). In the inter-war period the ratio of social expenditures showed a steady growth and exceeded 5% in all the countries, with the exception of Finland and Italy. Growth after World War II shows little divergence from that of social insurance and social security, reaching their peaks at about the same time, and the countries with the highest and lowest expenditure ratio roughly coincide, too. In the years following World War II, welfare legislation intensified, which affected welfare expenditures as well. Great Britain is a very obvious example here and so is Finland, a country with a modest welfare state between the two world wars, where the annual growth of social expenditures amounted to 22.2% between 1945 and 1950. In Ireland social policy gained momentum as well (Pierson, 1991: 136). The 1950s, on the other hand, can be considered a period of relative stagnation in that the relative level of resources spent on welfare increased only slightly. From

[4] At the same time the OECD data exclude special benefits for public employees, such as pensions, probably based on the usual consideration that these benefits constitute a part of income. For OECD data, see Crouch, 1999: 482, 484, 486; Flora, 1986–1988, Vol. 4: 325–815; OECD, 1985: 80.

approximately 1960 a new era began, spanning to the middle of the 1970s, which is characterised by the highest rate of growth in Western European social expenditures for the whole period examined. Denmark and Norway had the most dynamic rise in this period with more than 8% per annum in real value, while the United Kingdom and Austria had the lowest rate (less than 4%). The average rate of growth approximately halved between the mid-1970s and the mid-1980s. The relative ratio of social expenditures to the GDP reached their peak at the beginning or middle of the 1980s in most of the countries. In 1980, the Netherlands and Sweden headed the list with around 40%, while Switzerland and the United Kingdom spent the least on these purposes; the Western European average was at about 30%. Expenditures in the 1980s increased further but the steady growth characterising the previous decades in all the countries was superseded by a more complex pattern. While the rate of expenditure growth remained high in Finland and Norway in this decade as well, in other countries it stagnated or even decreased slightly (e.g. in the United Kingdom, Ireland, the Netherlands and Belgium) (Appendix).

Various indicators examined show that in terms of the relative level of welfare expenditures there were significant differences between Western European countries in the first half of the 20th century, but these significantly decreased by the 1950s, and the tendency of convergence continued steadily in the next two decades. Subsequently, the coefficient of variation from the middle of the 1970s onwards displayed different patterns for the various types of expenditures. With social insurance expenditures narrowly defined, the trend reversed and variation increased until the end of the examined period (Alber, 1982: 161; Schmidt, 1988: 137). Though this indicated a significant divergence, differences between Western European countries were slightly smaller in 1990 than in 1950, and were far smaller than the differences between the two world wars. On the other hand, social security expenditures by the ILO definition, which detected smaller differences between individual countries from the start, show only a slight increase of the coefficient of variation at the end of the period examined. In the case of social expenditures based on the broad OECD definition, in contrast with the two indices discussed before, the trend of levelling out continued, and in 1990 the coefficient of variation indicating the differences between individual countries was only one-quarter of the coefficient found four decades earlier (Appendix).

Major structural characteristics of social security systems

The changes in welfare expenditures yield important information but are not sufficient in themselves to characterise welfare states. A more accurate picture can be drawn by analysing the mechanisms and institutions for relieving poverty in 20th-century Western Europe and by examining how their relative importance changed over time. In this section the most important structural characteristics of social insurance will be examined. The questions posed include:

1. what major social insurance programmes existed and when were they introduced; and
2. how did these develop after their establishment, how were they differentiated and what structural changes occurred to them?

Although collective welfare provision had already existed for more than 100 years in Western Europe by the 19th century, the real breakthrough in the development of welfare institutions was the emergence and development of social insurance. In Germany, compulsory state health insurance for industrial workers was introduced in 1883. Then the same decade saw the introduction of similar accident and pension insurance (1884 and 1889, respectively). Social insurance systems mushroomed in Western Europe after this time, though not modelled on the German example in every respect (Alber & Flora, 1981: 48–70; Ritter, 1989: 61–102). A good illustration of the speed with which the programmes spread in Western Europe is that by 1901 each country in the region had some form of at least one of the work injury, health or old-age insurances and by World War I most of them had a programme for all three risks (Alber, 1982: 28). In spite of this, it took decades until the first social insurance laws were passed in all three areas in all Western European countries. Switzerland, the country last in the line in Western Europe, introduced old-age insurance only in the middle of the 20th century (1946).

The programmes mentioned (accident, health, pension and unemployment insurance), supplemented by family benefits, preserved their decisive importance in social security all through the period examined. Actually they gained prime significance among welfare services in Western Europe by the middle of the century as a result of a differentiation process the programmes went through following their introduction. On the one hand, this meant increasing coverage of collateral risks associated with ones included before. On the other hand, new forms of benefits also appeared. The signs of differentiation were obvious already in the inter-war period, and it accelerated after World War II (Gordon, 1988: 147; Kaelble, 1990: 125).

At the same time, differentiation and expansion progressed in structures of growing similarity in Western European societies, at least after World War II. A good indicator of the significance of programmes in social insurance and the change of their relative weights is their place in the social insurance budget (Coughlin

& Armour, 1983: 175–199). Although, pension insurance was not usually introduced as first among social insurance programmes, after its establishment such expenditures generally soon exceeded that of other programmes. The crucial importance of the pension system in the structure of social insurance expenditures, and, in general, in welfare expenditures, is shown in the Appendix, summarising the distribution of major items in social insurance expenditures in the Western European countries examined in 1960 and in 1980. The ratio of pensions was already the highest among all items everywhere in 1960 except in France, amounting to about half of social insurance expenditures. This was approximately three times higher than the second item, family allowance (17.3% on the average), which in turn was still higher than expenditure on health services (15.4% on the average). It must be noted, though, that a slight statistical distortion is present in the latter because at that time the ILO statistics did not include the expenditures of the public health-care system of Great Britain and Ireland. The indexation of pensions, introduced characteristically after World War II, was associated with the expansion of such programmes to cover the population more universally and with the gradual increase in the ratio of senior citizens. These three factors resulted in the expansion of pension expenditures, which in turn brought about a significant growth not only in social insurance, but also in welfare expenditures in general, i.e. this was one of the starting points of the expansion of the welfare state in the 1960s.

It does not contradict this trend that the most dynamic growth can be seen in the ratio of health expenditures in the 1960s and 1970s, reaching 30.3% of social insurance expenditures on the average in Western Europe in 1980. This growth affected pensions only to a small degree; it occurred rather at the expense of family allowance and maternity benefits. The ratio of the former dropped to less than half in this period. Besides the usual factors, i.e. the expansion of coverage and the increase in the ratio of the aged, there emerged a special cause, the price explosion of health services, that is, the higher than average growth of their prices (Coughlin & Armour, 1983: 195).

The emergence of mass unemployment in the 1970s and 1980s resulted in new and significant changes in the history of welfare states. Though high unemployment did occur in the inter-war period in industrial countries, the commitment of the state for income maintenance was not so high then as later. In some countries, as a result of this commitment (such as a growing demand for social benefits and fewer people who paid contributions) unemployment considerably affected the structure of the welfare budget. It strengthened the stability of welfare expenditures even in the second half of the 1980s in England, although debates over the deconstruction of the welfare state were fierce. Differences between countries, however, were considerable and, in sum, unemployment-related expenditures accounted for a relatively low ratio of social insurance expenditures in Western Europe.

Most of the tendencies observed above are also tangible when examining the structure of a wider circle of welfare institutions. Applying the OECD definition of social expenditures, we can see that after World War II resources channelled to education, health care and pensions amounted to a major proportion of all welfare expenditures in Western Europe. The ratio of expenditures on education increased after World War II, but started to be more moderate in the total expenditures in the 1970s, with the exception of Finland. At the same time, the ratio of expenditures on health care and pensions grew steadily, though with fluctuations. Their increasing ratios even under the conditions of slowing economic and welfare growth show the inertia of pension expenditures after the mid-1970s (Crouch, 1999: 371–373, 482–487).

The structural development of welfare institutions regarding the areas discussed above shows several phenomena that can be interpreted as convergences, although surfacing in the inter-war years, this convergence became really apparent after World War II (Kaelble, 1990: 123–128, 2000: 41–46). The major social insurance programmes had been introduced before or immediately after World War I in most countries, and by the middle of the century in those few remaining. Differences in the introductions, amounting to decades, obviously increased diversity initially. The rapid spread of the programmes, however, soon decreased the differences already in inter-war years (Williamson & Fleming, 1977: 351).

The functional differentiation and expansion of social insurance programmes can both be observed in Western European societies. This process was associated with a growing structural similarity, especially after World War II. The number of risks covered by insurance gradually grew, especially as regards health insurance, but the same applies to employment injury, pension and unemployment insurance. The increasing similarity in the structure of social insurance benefits is also supported by the changes in the structure of expenditures (Hage, Hannemann & Gargan, 1989: 95–96). Around the middle of the century there had been great differences between Western European countries with respect to the structure of social insurance expenditures. In 1960 the variance of unemployment benefit ratios was the highest, with considerable differences between health-related expenditures and forms of family support. Expenditures on pensions showed the smallest variation (Appendix). Between 1960 and 1980 the coefficient of variation of the structural distribution of social insurance expenditures unambiguously decreased. That is, the Western European countries examined spent increasingly similar ratios of the welfare budget on health care and unemployment benefits and the already modest differences regarding old-age pensions continued to fade (Appendix).

The development of social rights

In the following discussion we focus on the following dimensions of social rights:

1. the degree of coverage; that is, how extensive is the coverage of social security schemes among the population or active earners;
2. qualifying conditions for social security benefits; that is, what kind of conditions should be fulfilled to qualify for a benefit;
3. the relative levels of benefits; that is, how generous are the benefits of the schemes in comparison with the recipient's previous earnings or with the average earnings in the society (Palme, 1990).

The first, pre-World War I forms of Western European social security were fairly limited in their degree of coverage, since only a small proportion of the population or those employed received benefits. Perhaps the only exceptions were Germany and, in a certain respect, England and Denmark. In Germany, the majority of the labour force had work-injury and pension insurance already at the turn of the century and the same applies to England with regard to work injury insurance and Denmark to health insurance in 1910 (Flora, 1983: 460–461; ILO, 1996: 201–216). The extension of coverage greatly progressed in the inter-war years, especially in Scandinavia, but development toward universality accelerated after World War II. The levels reached were such that by the late 1980s Western European social security systems can be called 'mature' in this respect, applying Peter Flora's terminology (Flora, 1985: 19) (Appendix).

Analysing the principles defining the qualifying conditions for welfare benefits, the dominance of two systems can be seen in the pre-World War II period of social security: one determined by the type of work and depending on contribution; and another, means-tested system. An example of the former is the benefits of pension insurance in Germany, for which only workers were eligible at first, and even then just in proportion to their contributions paid. In contrast, in several Scandinavian countries and Great Britain, eligibility for state pension services depended on age and earnings. Such a means-tested state pension was first introduced in Denmark in the 1890s. Great Britain adopted for a similar means-tested pension system, not tied to previous contributions, in 1908 (Therborn, 1995: 90).

Later this dual pattern of eligibility began to change. After World War I the means test temporarily gained ground but its importance started to fade in the inter-war period and even more so in the second half of the century. For example, as regards old-age pensions in 1930 this principle was applied when determining eligibility in most of the countries, but after the war this practice was present only in about half, and then terminated everywhere by the 1980s, with the exception of supplementary pensions in Ireland, Switzerland and Italy (ILO, 1933: 42–618; Palme, 1990: 52; U.S. Department of Health and Human Services, 1982: 12–261).

In addition, the principle of citizenship as a factor guaranteeing eligibility for benefits emerged early. Sweden introduced a universal, contribution-based pension system in 1913. At this point it was rather of theoretical significance because it provided very low-level services. However, citizenship gained a considerable practical role a few decades later, in the inter-war period and especially in the years after World War II in the assertion of social rights. A part of this process was the introduction of health and pension insurance covering all citizens in Denmark. In Great Britain the citizenship principle was clearly applied in the transformation of health insurance, the establishment of the National Health Service after World War II. In spite of this, the great expansion of welfare systems in the two decades after World War II seems to have been based on former eligibility principles. It was only in the 1960s or, in other interpretations, in the 1970s, that citizenship was beginning to be considered as a determining factor in eligibility (Esping-Andersen, 1994: 715; Therborn, 1995: 92). This especially applies to the Danish, Swedish and Finnish systems, which belong to the welfare model often referred to as social democrat, in essence open to all relevant social groups. For example, in Denmark those self-employed could join voluntary occupational injuries insurance, just like they were eligible for the basic state pension having reached a certain age and on condition of being a resident in the country for a defined period. Nevertheless, the supplementary state pension was tied to being actively engaged and paying contributions even here (Hansen, 1998: 9–11).

An increasing application of the citizenship principle in welfare eligibility does not mean, however, that equality of social rights in every aspect would have been even approximately complete in Western Europe in this period. On the contrary, in most countries benefits were tied to contributions paid and were also determined by occupational type. For example, in France social insurance systems gradually expanded and merged, and the level of their services became more similar – but still, considerable differences remained all through the period between insured groups regarding the conditions for eligibility, with 12 occupationally distinct public pension schemes. At the end of the period examined, Germany was another typical example of the welfare type referred to as conservative or corporatist, where also different social insurance systems existed for different occupational groups. Those employed in the private sector had their own insurance schemes, but, within this sector, there were separate systems for agriculture, mining or the self-employed for example. Belonging to a distinct social insurance scheme was part of the benefits of public employees (Esping-Andersen, 1990: 70).

At the same time, convergence can be observed between the different eligibility systems. In the countries where universal and unified insurance existed, benefits were somewhat differentiated in relation to incomes, i.e. the contributions paid. This was the case in the United Kingdom and in Scandinavia between 1959 and 1966, where an earnings-related supplementary pension was introduced beside the flat-rate state pension. In contrast, in countries where an earning-related pension system was in operation, flat-rate elements were introduced, e.g. in the Netherlands (1956), Italy (1965) and Germany (1972) (Alber & Flora, 1981: 53; Wilensky, 1975: 39). Later in the 1980s, the convergence continued, but rather on the basis of the 'workfare state' model, which implied an emphasis on entitlements tied to labour market position rather than citizenship (Kosonen, 1995: 100).

The level of the benefits provided by early social security programmes was rather modest and also quite static, because the benefits were not connected to price changes or to the growth of earnings and economic output. This was even more the case because roughly until World War II it was not supposed that the beginning of the payment of pension benefits would coincide with retirement and therefore the pension alone would enable the insured to live off it alone (Conrad, 1991: 191). However, as an important development of social security, the benefits were approaching earnings levels, a process beginning on a small scale in the inter-war period and then growing after World War II. Thus these relieved not only the most serious emergencies, but could increasingly contribute to the maintenance or approximation of the living standard and the relative social status of the insured. An instrument of this was the adjustment of benefits to growth in economic output and/or the income of the active population, thus offering a share of economic growth to inactive generations and those eligible for benefits. Denmark introduced this principle in the pension system as early as 1933, but the other Western European countries adopted it only between 1955 and 1965, the exceptions being Switzerland (1968) and Great Britain (1975). In the terminology of the 1957 German pension reform this meant the 'dynamisation' (*Dynamisierung*) of pensions, being significant mostly because of its long-term effects, but it also resulted in the immediate and radical rise of pensions, by 65.3% for workers and 71.9% for employees. In the next decades the same principle was applied to the other benefits in Germany (the latest being sick pay in 1974) and several other countries followed suit, though using different methods (Alber, 1982: 55; Ritter, 1989: 160).

The changes in the levels of the most significant cash benefit, pension, can be presented as an example of the changes in the relative levels of benefits. Before World War II pensions were relatively modest amounts. Afterwards, however, they increased rapidly, both the minimum pension and the average worker pension. The average of minimum pension in 18 OECD countries, expressed in the percentage of wages in the processing industry, was 10% in 1930, 19% in 1950, 25% in 1965 and 37% by 1985 (Palme, 1990: 48). The average worker pension amounted to 14% of the net average wages in the processing industry in this group of countries in 1930. This ratio doubled by 1950 to reach 43% by 1965, 50% by 1975 and 58% by 1985. There was no significant variation in this regard in the development of the Western European countries included in the present study, where in 1939 the average pension was about 12% of the average income of workers (own calculation based on Esping-Andersen, 1990: 99). In 1950 pensions amounted to 20–30% of the average income of workers in Western Europe, and there were only a few countries where they exceeded 50% (Austria and France). By 1985 the Western European average itself was well above 50% and the relative levels of pensions converged in these countries. Palme also finds convergence in the case of OECD countries as regards the levels of pensions after 1930. Exceptions were the 1950s, when the coefficient of variation temporarily grew, and the period between 1975 and 1985, when no considerable change occurred in this respect (Palme, 1990: 49, 68).

The results show a steady decrease in the differences in the coverage of the population in Western European countries over the 20th century (Appendix). In the early, pre-World War I period Germany, Denmark and the United Kingdom had a great advantage over the other countries, but already in the inter-war years cross-country differences were significantly reduced. In this period the Northern countries (the United Kingdom, Sweden, Denmark and Norway) had the highest growth rate in coverage, while Finland, Switzerland, France, Belgium and Italy stayed well under the average. After World War II, Western European social security systems reached or approximated universality as regards the degree of coverage. In the mid-1970s the majority of the total work force did belong to social insurance systems in almost all Western European countries. This especially applies to health and pension insurance. The exceptions were Germany, Austria, Ireland and, with respect to health insurance, the Netherlands, where 10–20% of the work force, mostly the self-employed, were still not insured. Undoubtedly less important, occupational injuries insurance covered the majority of employees by a later period. After World War II, convergence continued in the coverage: by the late 1980s the coefficient of variation dropped to a very low level in health and pension insurance, signalling only slight differences in Western Europe in these areas (Palme, 1990: 67; Appendix). The decrease of differences took place on a smaller scale in occupational injuries insurance, and was even less pronounced in occupational injuries insurance. This latter progressed through the slowest development, and Alber did not find convergence in this regard (Alber, 1981: 177). Moreover, in interpreting the processes it must be taken into consideration that there was complete coverage in certain types of insurance in several countries in the 1960s; thus the smallest increase in the others could result in convergence.

As regards the qualifying conditions for welfare services, in the inter-war period no clear tendency of convergence or the opposite can be seen in Western Europe, but after World War II forces pointing to growing similarity dominated. On the one hand, means-tested services gradually faded to give ground to benefits granted on the basis of the insurance or the citizenship principle everywhere. Besides, the systems based on these two defining principles approached each other. The cash benefits of insurances universal for all citizens, most of all pensions, were differentiated relative to incomes, thus moving closer to the principles of the traditional Bismarckian social insurance system. At the same time, in countries where the level of benefits depended on contributions, new, flat-rate elements were introduced for all who qualified. However, in the 1980s, the convergence of systems was realised instead on the basis of the insurance principle and the citizenship principle had smaller importance in this process.

It was a new objective in the post-World War II development of social security in Western Europe not only to relieve the most dire poverty, but to maintain the level of income of the insured. Accordingly, the level of services rapidly improved in all areas examined and, at least till the 1970s, after which no clear trends emerge, and the services provided by social security schemes in different countries became increasingly similar. Besides the changes in the structures of expenditures, this is evidenced by the development of individual areas of social security, especially pensions.

Summary

In this study we examined the development of welfare systems in Western Europe in the course of the so-called 'short 20th century' (1918–1990) from a long-term comparative perspective and with a focus on convergent and divergent processes. An effort was made to incorporate important characteristics besides the changes in expenditures most frequently analysed in the literature and to focus on aspects of analysis allowing for long-term investigations as well as the assessment of the dynamics of changes. Accordingly, the most important areas under investigation included the relative levels of social expenditures, the basic structural characteristics of welfare institutions and social rights.

Various indicators examined show that there were significant differences between Western European welfare systems in the first half of the 20th century, but diversity significantly decreased by the 1950s, and the tendency of convergence continued steadily in the next two decades. Subsequently, changes in variation between countries from the 1970s onwards displayed a somewhat less clear-cut pattern, but in several areas the convergence continued. As a result, in 1990 the differences between the Western European countries can be regarded as less significant in that respect than in the middle and especially at the beginning of the 20th century.

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Appendix. Indicators of welfare development in Western Europe, 1900–1990

Year	Western European mean	Western European standard deviation	Western European coefficient of variation
		Social insurance expenditures (as % of GDP)	
1930	2.53	1.67	0.66
1940	4.30	–	–
1950	4.99	1.62	0.32
1960	7.23	1.47	0.20
1970	11.12	1.86	0.17
1980	15.45	3.59	0.23
1990	16.86	5.10	0.30
		Social expenditures of central government (as % of GNP)	
1890	0.67	0.30	0.44
1900	0.79	0.38	0.48
1910	0.99	0.46	0.47
1920	1.18	0.68	0.58
1930	2.16	1.42	0.66
		Social security expenditures (as % of GDP)	
1950	9.38	2.88	0.31
1960	11.43	2.38	0.21
1970	15.77	2.96	0.19
1980	22.82	5.12	0.22
1990	24.03	5.77	0.24
		Social expenditures (as % of GDP)	
1950	12.31	3.57	0.29
1960	15.62	3.50	0.22
1970	21.44	4.33	0.20
1980	29.99	5.84	0.19
1990	30.23	5.19	0.15
		Distribution of social security expenditures in 1960 (%)	
Health care	15.39	9.61	0.62
Pensions	49.98	11.31	0.23
Unemployment	4.32	4.09	0.95
Family allow.	17.28	10.66	0.62
Others	13.02	5.31	0.41
		Distribution of social security expenditures in 1980 (%)	
Health care	30.32	7.52	0.25
Pensions	45.99	9.94	0.22
Unemployment	6.45	5.56	0.86
Family allow.	8.04	4.47	0.56
Others	9.19	3.61	0.39
		Distribution of social security revenues in 1960 (%)	
Employees	20.78	10.12	0.49
Employers	34.73	17.80	0.51
Special taxes	0.36	0.86	2.37
From governm.	39.71	21.97	0.55
Capital rev.	2.95	3.00	1.01
Others	1.46	2.11	1.45
		Distribution of social security revenues in 1980 (%)	
Employees	19.15	12.76	0.67
Employers	36.69	13.69	0.37
Special taxes	0.22	0.54	2.52
From governm.	40.0	19.87	0.50
Capital rev.	3.15	2.94	0.94
Others	0.78	0.93	1.18
		Coverage of work injury insurance (as % of labour force)	
1900	16.17	20.39	1.26
1910	30.67	22.72	0.74
1920	39.85	22.77	0.57
1930	50.46	14.45	0.29
1940	52.92	17.18	0.32

Appendix. *Continued*

Year	Western European mean	Western European standard deviation	Western European coefficient of variation
1950	60.77	16.33	0.27
1960	71.54	14.79	0.21
1970	78.15	12.52	0.16
1980	85.13	13.24	0.16
1990	88.88	17.85	0.20
		Coverage of health insurance (members as % of the labour force)	
1900	9.83	12.56	1.28
1910	15.42	18.61	1.21
1920	33.23	30.46	0.92
1930	46.62	28.00	0.60
1940	56.58	28.89	0.51
1950	66.69	29.44	0.44
1960	73.69	28.41	0.39
1970	90.23	12.85	0.14
1980	93.40	8.81	0.09
1990	97.40	5.27	0.05
		Coverage of sickness cash benefits (insured persons as % of the labour force)	
1900	9.83	12.56	1.28
1910	15.42	18.61	1.21
1920	33.23	30.46	0.92
1930	46.62	28.00	0.60
1940	56.58	28.89	0.51
1950	66.69	29.44	0.44
1960	73.69	28.41	0.39
1970	90.23	12.85	0.14
1980	93.40	8.81	0.09
1990	97.40	5.27	0.05
		Coverage of pension insurance (members as % of the labour force)	
1900	5.83	15.21	2.61
1910	8.25	16.54	2.01
1920	22.69	31.31	1.38
1930	44.00	36.40	0.83
1940	66.83	32.48	0.49
1950	76.85	22.77	0.30
1960	90.54	11.49	0.13
1970	92.69	10.53	0.11
1980	95.90	6.94	0.07
1990	98.50	4.74	0.05

Sources: Data are own calculations based on Tables 1–18 in Tomka, 2003.