4 Historical Phases of Welfare State Development

Pierson (1998) measures the development of the advanced capitalist welfare state according to the following three criteria: the stages of social insurance legislation, the expansion of citizenship to grant male universal suffrage and eventually universal adult suffrage, and the growth in public social expenditures relative to GDP (pp. 103-104). Following this analytical framework and reviewing prior research (Alber, 1982, pp. 56-69; Barr, 2004, Chapter 2; Flora & Alber, 1981, pp. 48-57; Heejo, 1981, pp. 386-387; Pierson, 1998, Chapters 4 and 5), the author identifies four discrete time periods of modern welfare state development: the genesis of the welfare state (1870-1918), the interwar period of consolidation (1918-1945), the “golden age” of expansion (1945-1975), and the period of structural adjustment in the era of globalization (from 1975 onwards). Before analyzing in detail each of these four stages, the author briefly sheds some light on the prehistory of the modern welfare state.

4.1 Social Protection in the Pre-Welfare State Era

Although the birth of the welfare state is generally dated at around the last quarter of the 19th century, it is worthwhile noting that scarce features of national social protection – the so-called Poor Law policies – were already prevalent throughout the Western World since the 16th century. These poverty relief programs, however, differed largely from the modern welfare state legislation (Rimlinger, 1971, p. 13; Flora & Alber, 1981, p. 48). Initially perceived “as the aggressive champion of the social rights of citizenship […] [due to its original] claim to trespass on the territory of the wages system, or to interfere with the forces of the free market” (Marshall, 2006, p. 32), the poor law eventually turned into an effective instrument to defend the traditional authoritarian social order (Rimlinger, 1971, p. 13; Flora & Alber, 1981, p. 48). Precisely, it “treated the claims of the poor, not as an integral part of the rights of the citizens, but as an alternative to them – as claims which could be met only if the claimants ceased to be citizens in any true sense of the word” (Marshall, 2006, p. 33). With the occurrence of major events in the political (American and French Revolution) and economic sphere (Industrial Revolution) at the end of the 18th century (Rimlinger, 1971, p. 2), the principles of the Poor Law period were on the wane. Liberal ideas spread proclaiming that “every man was to be free to pursue his fortune and was to be responsible for his success and failure” (Rimlinger, 1971, p. 35; see Flora & Alber, 1981, p. 48). Against this backdrop, “the old poor laws were [considered to be] a hindrance to labor mobility and to the workers’ commitment to an urban, industrial life” (Rimlinger, 1971, p. 36).
4.2 The Genesis of the Welfare State

Building on the political-economic foundations laid in Chapter 2.2, the rise of capitalism was accompanied by the formation of the industrial working class which openly engaged in power class struggles to transform traditional authoritarian systems into mass democracies and establish a system of social protection against the new risks related to industrialization (Flora, 1986, pp. XII-XVI; Flora, 1985, p. 12; see Flora & Alber, 1981, p. 48). In this sense, the introduction of social insurance legislation starting in the last decades of the 19th century marked the beginning of the modern welfare state. By the outbreak of the First World War (WWI), several countries had developed four main social insurance systems in order to address the following risks: industrial accident, sickness and invalidity, old age and invalidity, and unemployment (Flora & Alber, 1981, p. 50). Although no common sequencing of policy reforms existed, social insurance for industrial accidents was the first to be established according to Flora & Alber (1981) since it represented the least radical break from the pre-existing mindset; employers were already liable for work accidents by that time. Yet this new legislation nonetheless constituted a break with the past in two ways: Firstly, work accidents no longer automatically conferred guilt on the employer, but were now considered an unavoidable side-effect of industrial production. Secondly, the introduction of the social insurance institution induced employers within a given industrial branch to pool the risk of compensation payments in case of work accidents (pp. 50-51). In contrast to these relatively minor tweaks to the social insurance system, the institutionalization of the remaining three insurance systems constituted a major breakthrough (Flora & Alber, 1981, pp. 51-52), the latter involving

“the recognition that the incapacity to earn a living through contingencies such as old age, sickness or unemployment […] [was] a normal condition in industrialized market societies and that it […] [was] legitimately the business of the state to organize for collective provision against the loss of income arising from these contingencies (Flora and Heidenheimer, 1981; Flora, 1986; see also the reservations of Jones, 1985)” (Pierson, 1998, p. 103).

As Table 7 indicates, Germany and Denmark stood out as pioneers; other Continental European and Nordic countries (with the exception of Finland) followed swiftly. In contrast, Anglo-Saxon countries (except for Ireland and the UK) were characterized by a pronounced distrust of state interventions and thus lagged behind.

In a broader context, the implementation of the social insurance legislation also implied “a change in the relationship of the state to the citizen and of both to the provision of public welfare” (Pierson, 1998, p. 103). Unlike in the Poor Law period,