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Convergence or Divergence? Rearrangements of Social Protection

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The End of Convergence

Welfare state research started with the assumption of industrial convergence (cf. Lipset 1960). Economic demographers assume that welfare state development is propelled by the economic growth and maturity in social programs (Wilensky 1975). By contrast, Walter Korpi contends that politics matters. Power resource mobilization of labor promotes welfare state development. The welfare state emerges, where "democratic class struggle" enables capital and labor to bargain with each other for a social contract on the welfare state (Korpi 1979; cf. Lipset 1960). The welfare state provides a social policy package, including employment security, medical care, and pension, to protect citizens from risks immanent in the market. In other words, a state is worth being called a welfare state where social protection is provided not as charity or benevolence but as entitlement. In the welfare state, social right is an essential component of citizenship, along with civil and political rights (Marshall 1950).

Welfare states, however, have not developed in the same direction. That is, no single way of providing social citizenship rights is identified. In other words, no convergence can be seen among welfare states. By rejecting the convergence theory or the single course of the welfare state development, Esping-Andersen presents three different types of the welfare state: liberal, conservative, and social democratic ones (Esping-Andersen 1990). Liberal welfare states, which are found commonly in Anglo-Saxon countries, stress the importance of individual efforts to obtain welfare through the market and therefore provide only minimum levels of public welfare. Social risk is taken individually in the liberal welfare state.

Conservative welfare states are based on the subsidiary principle. Traditional bonds, such as family, neighborhood, church, and guild-like associations, are the major domains of welfare provision. State welfare comes where these social functions end. A common feature of this type is occupationally divided social insurance programs designed to meet needs of the male breadwinner family type. In a social democratic welfare state, public welfare provides generous benefits and services based on comprehensiveness and universalism for the maintenance of the average living standards. Private welfare functions are of no necessity in principle. Social risk is taken collectively in both conservative and social democratic welfare states, through traditional bonds in the conservative type and through state welfare in the social democratic type.

Esping-Andersen's typology marks a watershed in welfare state research. As a seminal work, his typology is naturally exposed to a variety of criticisms. First, in spite of his attempt to distinguish three different types, his typology implies that welfare states can be placed on a single line. His employed index of de-commodification means the right to exit from and live outside the market. The degree of de-commodification indicates to what extent social citizenship rights are developed in a country. According to the de-commodification index, the social democratic type comes first, the conservative second, and the liberal last. Thus, a social democratic bias is embedded in Esping-Andersen's typology.

The second challenge is concerned with the validity of classification. The Antipodes, though appearing as liberal welfare states due to low levels of social spending, have formed distinctive wage earners' welfare states, which guarantee high wage standards (Castles 1996; Castles and Mitchell 1992). Likewise, Continental Europe can be divided into a couple of different types (cf. Ferrera 1996; Katorougalos and Lazaridis 2003). Even North America cannot be put into the liberal type without reservations. Canada adopts a universal approach in the field of health insurance, whereas the U.S. holds to a liberal or residual approach. It should be reminded, however, that a typology helps us obtain deeper understandings of complex social phenomena, such as the welfare state, by way of simplification. Esping-Andersen's typology is particularly useful and valid for the purpose of discerning differences and similarities of income-maintenance policy.

The final and theoretically critical challenge comes from feminism. Feminists criticize the idea of de-commodification on the grounds that it ignores an important aspect of social policy, i.e., woman-friendliness. For most women, who have difficulties in labor market participation, most eagerly desired is not de-commodification but commodification. Social policies, such as the provision of childcare facilities, child allowances, and maternity and child-rearing leaves, are regarded as woman-friendly since they help to facilitate female labor market participation. The Feminist criticism deserves a special attention in that it correctly stresses the importance of commodification in welfare state policy (cf. Sainsbury ed. 1994). By the same token, re-commodification (such as recurrent education and retraining) is a major component of the welfare state.

Given the significance of not only de-commodification but also commodification and re-commodification, it is obvious that interactions between commodification, de-commodification, and re-commodification cannot be grasped by focusing exclusively on state functions since they obviously go beyond the domain of the state. Esping-Andersen's typology in fact refers to welfare functions outside the state. In liberal and conservative welfare states, the market and traditional communities are assumed to play major roles in welfare provisions. To understand the whole arrangement of welfare provisions, therefore, we must refer to the welfare regime instead of the welfare state. The welfare regime is composed of welfare functions at three different levels: the labor market, family and societal associations, and the state.

The reminder of this paper attempts to clarify impacts of globalization and population ageing upon welfare states by reference to Esping-Andersen's typology.

Globalization Causes a Race to the Bottom?

Esping-Andersen's typology is exposed to various criticisms, but no one denies that it blew the assumption of convergence away. Entering in the era of globalization, however, convergence theory has revived in a new fashion. Witnessing a rapid growth of world market integration, some political economists contends that globalization makes the state unable to manage domestic economic and social conditions independently of the international market (cf. McKenzie and Lee 1991; Gill and Law 1989; Strange 1986). Globalization erodes the basic conditions of the welfare state: Keynesianism and Fordist labor management.

Keynesian management of domestic demands through fiscal and financial policies becomes ineffective due to capital mobility across the borders. Organized labor loses its strategic edge once it enjoyed in the era of postwar "class settlement." Where capital mobility is bound by the borders, industrial harmony is essential for productivity. In the era of globalization, however, capital can move to a place where cheap and tamed labor is abundant, if organized labor challenge management policies, including wage raises. Besides, the increase in labor's purchasing power through wage raises and redistribution within a single country are no longer as essential as before for capital accumulation, since the market is internationally integrated.

Capital has no reason to remain in its home country, if it has to pay high labor costs threatening its international competitiveness. To make domestic economic conditions favorable to footloose and free capital, governments compete to trim welfare programs down to a minimum. Accordingly, a "race to the bottom" takes place. A country, which does not join the game, would be punished by capital outflow. The "race to the bottom" thesis is obviously in favor of the liberal welfare regime. Social democratic and conservative welfare regimes would follow the way for welfare retrenchment or workfare that liberal welfare states have paved (cf. Scharpf 1991, pp. 274-275; Kurzer 1993, p.252; Mishra 1999, p.15).

The renewed convergence theory, however, has not succeeded in obtaining hegemony in the welfare state discourse. Considering the fact that the welfare state emerged to modify social tensions and class conflicts brought about by laissez-faire capitalism, some argue that globalization accompanying worldwide competition would promote calls for more extensive and thicker social protection than ever before. International free trade system cannot be stabilized without domestic measures of social protection, as Ruggie convincingly argued in his essay on embedded liberalism (Ruggie 1983). Based on the assumption of embedded liberalism, Rieger and Leibfried contend that more difficult it is to retrench the welfare state where the economy is more extensively exposed to the pressure of globalization and more open to the international market. The grand-scale retrenchment is conducted in such countries that are less dependent upon the world market （Rieger and Leibfried 1998）.

It is also pointed out that capital does not flee from a country simply because of higher labor costs. The preference of a firm on risk redistribution can vary according to its skill profile, capacity of risk management and the relative incidence of the labor market risks affecting their work force, as Mares demonstrates (Mares 2003). As far as foreign direct investment is concerned, a decision must be made with the consideration of market potentials and overall advantages in a given country. Moreover, foreign direct investment does not necessarily cause the shrinking of domestic business activity. In many cases, business activities at home and overseas simultaneously expand. Finally, it should be reminded that economic performance heavily rely upon social stability and the availability of well educated and high skilled labor force, which are most likely to be provided by advanced welfare states（cf. Garrett 1998a & b）.

To judge which of the above two rival arguments is valid, let me look into the transformation of the fiscal structure and taxation in advanced economies. According to the “race to the bottom” thesis, aggregate tax and expenditure burdens are expected to be alleviated in the era of globalization. Table 1, however, confirms the overall increase in burdens. Although aggregate expenditure burdens are slightly modified between 1990-4 and 1995-9, they are not significant enough to deny the general pattern of burden increases and support the “race to the bottom thesis”

Table 1: Aggregate tax and expenditure burdens

	1965-9	1970-4	1975-9	1980-4	1985-9	1990-4	1995-9
Aggregate tax burdens							
Avg. OECD	100	107	113	113	114	117	120
Avg. EU	100	106	114	118	119	122	125
Aggregate expenditure Burdens							
Avg. OECD	100	107	120	122	121	126	123
Avg. EU	100	106	121	125	126	129	128

Source：Hobson 2003, p. 40.

It is also expected, according to the logic of globalization, that government attempts to reduce progressive direct tax burdens and increase regressive indirect tax burdens to favor capital. What is found in Table 2 completely betrays that expectation. Direct tax burdens increase much more significantly than indirect tax burdens. The increase in corporation income tax is smaller than that in personal income tax, but it is still substantial.

Table 2: Direct and indirect burdens

	1965-9	1970-4	1975-9	1980-4	1985-9	1990-4	1995-7
Avg. indirect	100	101	97	106	112	108	109
Avg. direct	100	112	123	142	147	145	149
Personal income Tax							
Our avg.	100	121	142	146	147	145	139
EU avg.	100	125	148	137	138	142	140
Corporation Income Tax	100	105	108	116	126	117	135

Soruce：Hobson 2003, p. 42. Notes: All averages (bar EU) are derived from the following 23 OECD countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK and USA.

The only way for the welfare state to survive is, according to the globalization thesis, a shift of tax burdens from capital to labor, which cannot move easily from one country to another (cf. Rodrik 1997). Nor is this argument supported by data. Table 3 shows that tax burdens of capital increases faster than those of labor. After seeing these figures, Hobson rejected the "race to the bottom" thesis and advocates a "race to the middle" (Hobson 2003: 43, 55). The state is not as powerless as the globalization thesis assumes. Tax and expenditure structures vary according to a compromise hammered out between capital and the state. It is not self-evident, however, that a compromise converges towards the middle. To test the validity of the "race to the middle" thesis, we have to turn to statistics of individual countries.

Table 3: The tax burdens of capital and labor

	1965-9	1970-4	1975-9	1980-4	1985-9	1990-94	1995-7
Avg. labor							
OECD avg.	100	120	140	145	147	143	131
Our avg.	100	121	142	147	149	150	144
Avg. capital							
OECD avg.	100	117	143	141	148	148	152
Our avg.	100	119	144	149	157	155	156

Source：Hobson 2003, p. 44.
Notes: "Our avg." is taken from the 23 countries listed in the notes to Table 2. Labor tax burdens: Our avg.–personal income taxes and employees' social security contributions. Capital tax burdens: Corporate income taxes plus employees' social security contributions.

We select Sweden and Denmark as representative of the social democratic type (Group A), France and Germany as representative of the conservative type, and the U. S. and Japan as representative of the liberal regime (Group C). Japan clearly has a similarity with the conservative type in its occupationally divided social insurance programs, but can be brought together with the U. S. in terms of the size of government.

As Table 4 shows, total tax revenue as percentage of GDP in Sweden expanded from 35 percent in 1965 to 53.6 percent in 1990. The figure went down to 47.6 percent in 1995, but went up again in 1999. In Denmark, the figure keeps growing up to 50.4 percent in 1999. France also increases total tax revenue steadily from 34.5 percent in 1965 to 45.8 percent of GDP in 1999. Germany has experienced ups and downs, but the 1999 figure, 37.7 percent, is larger than ever before. The difference in total tax revenue as percentage of GDP between 1965 and 1999 is the smallest in the United States. Its 1999 figure, 28.9 percent, is only 3.9 point larger than the 1965 figure. Japan's figure of 1965 indicates that Japan enjoyed by far the smallest government among the six countries. Japan surpassed the U. S. from the late 1980s to the early 1990s, but went back to the bottom in the late 1990s.

Table 4：Total tax revenue as percentage of GDP

	1965	1970	1975	1980	1985	1990	1996	1999
Japan	18.3	19.7	20.9	25.7	27.5	30.7	27.8	26.2
United States	25.0	27.7	26.9	27.0	26.1	26.7	27.9	28.9
Germany	31.6	32.9	36.0	33.1	32.9	32.6	37.4	37.7
France	34.5	35.1	36.9	40.6	43.8	43.0	45.0	45.8
Denmark	29.9	40.4	41.4	43.9	47.4	47.1	49.9	50.4
Sweden	35.0	39.8	43.4	47.5	48.5	53.6	49.8	52.2

Source：OECD (2001), Revenue Statistics.

Table 4 hardly confirms a "race to the bottom." All but Japan and Sweden increased their total tax revenues as percentage of GDP in the 1990s, or in the middle of globalization. Nor can a "race to the middle" be discovered. Differences in the size of government between the three groups remain unchanged. Group A has the largest government in terms of tax revenue as percentage of GDP, Group B has the medium-sized government, and Group C enjoys the smallest government.

Even if we cannot find a converging tendency, however, changes in tax structures may confirm pressure exerted by globalization. The decrease in progressive tax revenue and the increase in regressive tax revenue can be interpreted as indifference towards redistribution and loyalty to distribution through the market.

Table 5：Taxes on personal income as percentage of total taxation

	1965	1970	1975	1980	1985	1990	1996	1999
Japan	21.7	21.5	23.9	24.3	24.7	26.8	20.2	18.5
United States	31.7	36.5	34.6	39.1	37.8	37.7	37.6	40.7
Germany	26.0	26.7	30.0	29.6	28.7	27.6	24.8	25.1
France	10.6	10.7	10.6	11.6	11.5	10.7	11.8	17.6
Denmark	41.4	48.6	55.9	52.0	50.5	52.7	53.3	50.6
Sweden	48.7	49.8	46.1	41.0	38.7	38.5	35.4	35.8

Source：OECD (2001), Revenue Statistics.

Japan, Germany, Denmark, and Sweden experienced decreases in the relative size of personal income tax in the 1990s (their sizes widely vary from 50.6 percent in Denmark to 18.5 percent in Japan). The United States followed the same pattern until 1996, but the figure went up to 40.7 percent in 1999. France is a true exception. The relative size of personal income tax remains extremely small throughout the whole period covered in Table 5. Overall, we can confirm restraints on personal income tax increases, but if they are caused by globalization is a different story.

Sweden had shrunk the relative size of personal income tax since 1970, when globalization was yet to emerge. As a matter of fact, Sweden upgraded its welfare state in the 1970s with the expansion of public service. The decrease in the relative importance of personal income tax in Sweden was caused not by neo-liberal reform in the face of globalization, but by diversifying and expanding its tax bases. In Denmark and Germany, the decline of the relative size of personal income tax started in 1975. It was still before the trend of globalization rose. Besides, personal income tax decreases in these countries are too modest to assert a significant change in personal income taxation in the face of globalization. In short, we cannot find any common pattern of change in personal income tax in response to globalization.

The relative small size of personal income tax in France and Germany can be explained largely by their heavy dependence upon social security contributions. Social security in the conservative welfare state is financed out of social insurance. As seen in Table 6, social security contributions in both countries reached more than 30 percent of total taxation in the 1970s and occupied approximately 40 percent in the 1990s. The recent figures of Japan indicate that Japan is equally dependent upon social security contributions. This is no surprise, considering the fact that major social security programs in Japan are also financed out of social insurance. Social security contributions occupied a relatively small portion of total taxation in the past because the ratio of the aged population to the total population as well as the maturity of social programs is low. Social security contributions in Denmark are almost negligible, reflecting its heavy reliance upon personal income tax. The Swedish figures indicate that Sweden has successfully diversified taxation.

Table 6: Social security contributions as percentage of total taxation

	1965	1970	1975	1980	1985	1990	1996	1999
Japan	21.8	22.3	29.0	29.1	30.3	29.0	36.5	37.2
United States	13.3	16.1	20.5	21.9	25.2	25.9	24.7	23.9
Germany	26.8	30.3	34.0	34.3	36.5	37.5	40.3	39.3

France	34.2	36.3	40.6	42.7	43.3	44.1	41.9	36.1
Denmark	5.4	4.0	1.3	1.8	3.7	3.1	3.1	4.2
Sweden	12.1	14.9	19.5	28.8	25.0	27.2	30.0	25.3

Source：OECD (2001), Revenue Statistics.

Table 7 shows changes taxes on corporate income as percentage of total taxation. As predicted, taxation on corporate income in Group A has been alleviated, entering in the globalization era. Among the other two groups, however, Germany is the only case showing the similar pattern. France, Denmark, and Sweden have shown no sign of corporate income tax reductions. Curious is that taxation on corporate income has been heavier in Group A than in the other two groups against the naïve presumption that corporate tax burdens are lighter in the liberal welfare state than in the conservative or social democratic welfare regime. This counter-intuitive fact makes sense, considering that a generous welfare state can be maintained only by expanding tax bases and imposing its burdens mainly on the majority in society, namely middle-class employees. Relatively heavy reliance upon corporate income tax in the U. S. and Japan simply indicates that they have no generous welfare states sustained by diverse tax bases.

Table 7：Taxes on corporate income as percentage of total taxation

	1965	1970	1975	1980	1985	1990	1996	1999
Japan	22.2	26.3	20.6	21.8	21.0	21.6	16.4	12.9
United State	16.4	13.2	11.4	10.8	7.5	7.7	9.6	8.3
Germany	7.8	5.7	4.4	5.5	6.1	4.8	3.8	4.8
France	5.3	6.3	5.2	5.1	4.5	5.3	5.2	5.4
Denmark	7.9	5.2	3.9	3.9	3.5	4.6	5.6	9.1
Sweden	6.1	4.4	4.3	2.5	3.5	3.1	5.6	6.0

Source：OECD (2001), Revenue Statistics.

Our final table is concerned with consumption taxes. Consumption taxes seem more favorable to free competition and globalization than income taxes due to their regressive workings. This presumption is again denied. Comparing the figures of 1970 and 1999, no countries expanded the share of consumption taxes in total taxation. The relative share of consumption taxes in Group A is smaller than in the other two groups.

Table 7：Consumption taxes as percentage of total taxation

	1965	1970	1975	1980	1985	1990	1996	1999
Japan	25.0	20.9	15.1	14.1	12.1	11.6	13.3	17.9
United States	19.9	17.6	17.1	15.3	16.3	15.1	15.0	14.4
Germany	31.1	30.0	25.4	25.9	24.6	25.8	27.0	27.1
France	37.5	37.1	32.4	29.5	28.7	27.5	26.9	25.9
Denmark	8.3	36.6	31.6	35.7	33.1	31.9	31.2	30.9
Sweden	29.5	26.5	22.7	22.6	25.5	24.0	22.1	20.8

Source：OECD (2001), Revenue Statistics.

A Comparative Study of Pension Reform

Along with globalization, population ageing is referred to as a major cause of welfare retrenchment. Some argue that ageing is the single most important variable in explaining welfare retrenchment (cf. Pierson ed. 2001). Population ageing pushes social costs (medicare and pension costs in particular) upward and endanger the sustainability of welfare state finance. The first prediction derived from the ageing thesis is the same as that from globalization; that is, welfare states are to be dismantled or trimmed down to a minimum. This prediction is repudiated in the last section.

The second prediction is that different welfare types respond to population ageing in systematically different fashions. Social democratic welfare regimes protect social citizenship rights by increasing tax burdens, conservative ones reconfirm the subsidiary principle and reinforce duality in the labor market, and liberal ones let the market deal with the problem. This picture is, needless to say, oversimplified. We have to take into account the degree and extent of population aging and fiscal conditions, first of all. Scandinavian welfare regimes actually have little room for tax increases. Besides, as far as social security is concerned (not including social services), no significant differences are witnessed between conservative and social democratic welfare regimes. Earnings-proportional pension schemes financed out of social insurance form the core of income maintenance after retirement in either regime.

The last assumption derives from the perspective of historical institutionalism. The degree and extent of welfare state retrenchment is considered to vary according to institutional settings. The network of entrenched interests, policy legacies, and veto points affect how far welfare retrenchment can go. By comparing pension reforms in six countries (France, Germany, Sweden, the United States, the United Kingdom, and Japan), this section examines how best the perspective of historical institutionalism can explain welfare state retrenchment.

How are the above six countries ranked in terms of the significance of pension reform? I rank them as follows: Sweden＞Britain＞Japan＞Germany＞France＞United States. Sweden comes first because it completely replaced the old scheme with the new one. The universal basic pension is abolished (pension entitled as a social citizenship right is cancelled), the notional personal account is created to tighten the relationship between benefit and contribution, and the individually financed premium pension is introduced[1]. Next comes Britain, which successfully minimized public pension schemes and encouraged middle-class employees to join private pension schemes.

Other countries have not undergone as drastic changes as did Sweden and Britain. Among France, Germany, the United States, and Japan, Japan experienced the most substantial change. In addition to common measures for retrenchment, such as restraining increases in benefits and raising the percentage of contributions, the basic pension was introduced in by integrating the National Pension Plan with first tiers of employees' pension schemes, pension entitlement ages were raised up to the age of 65, and the upper limit of contributions were set at 18.35 percent in a series of pension reform from 1985 to 2004. Germany lowered benefit standards in the future and introduced a personal pension account. Pension reform in France is similar to that in Germany, but public pension review was conducted only on the scheme provided for private-sector employees. The U. S. pension system has experienced no substantial changes since the Regan administration raised the pension entitlement age.

Table 8 shows the growth of population ageing in the six countries. As of the year 2000, Sweden is the most aged society. Japan comes next, followed by France, Britain and Germany. The United States is the least aged society (Sweden＞Japan＞France＞Germany and U. K.＞U. S.).
In 2040, Japan would come first, Germany next, Sweden third, the U. K. forth, France fifth, and the U. S. last (Japan＞Germany＞Sweden>U. K.＞U. S.) Overall, it can be said that population ageing is more serious in Sweden, Japan, and Germany than in the other three. The U. S. is and will be the least aged society among the six countries..

[1] I do not go into details of concrete policy changes in individual pension reforms here. My evaluation is based on the studies included in G. Bonoli and T. Shinkawa (eds.), Ageing and Pension Reform around the World (Edward Elgar, 2005).

Table 8: Proportion of the population aged 65 or over

	1980	2000	2020	2040
France	14.0	16.2	20.1	25.1
Germany	15.5	16.0	21.6	30.7
Sweden	16.3	17.4	23.0	26.8
United Kingdom	14.9	16.0	20.0	25.6
United States	11.2	12.7	17.0	22.4
Japan	9.1	17.2	27.2	31.5

Sources: OECD 1988; World Bank 2003; Republic of China 2001.

As far as the impact of population aging upon pension finance is concerned, France and Germany faces the most serious trouble since their pension schemes are purely pay-as-you-go; that is, no funds are available to absorb the impact of ageing in their pension schemes. Sweden and Japan had substantial mounts of funded assets, which could cover almost five-year pension payments at the time of the late 1990s. In Sweden, however, the funds are projected to be drained by 2015. Japan started pension reform in the mid-1980s to keep pension funds substantial. Rapid population ageing facilitated by the lowering fertility rate, however, impelled the Japanese government continually to carry out pension reforms.

The Swedish and American cases can be explained in a straightforward fashion by employing the two variables of population ageing and pension finance. Population ageing and fiscal tightness are serious enough in Sweden to propel pension reform, whereas no serious problems existed in the U. S. Japan's case also makes sense. Given dividedness with no transfers between different pension schemes, the Japanese pension system was financially quite vulnerable to population ageing[2]. Yet, why Britain carried out a large-scale reform and why France and Germany failed to introduce more substantial reforms are puzzles. British public pension had no serious fiscal problems because the program was immature and promised only modest benefit standards. Pension finances in France and Germany were in serious trouble, but no radical reforms to overcome it were introduced.

To understand the deviant cases, other variables must be taken into account. Historical institutionalism suggests that policy change be defined

[2] I discussed what kinds of reform took place in Japan and why in "The Politics of Pension Reform in Japan: Path Dependency, Credit-Claiming, and Blame Avoidance," in Bonoli and Shinkawa (eds.), *op. cit.*

by the network of entrenched interests, political ideas/ideologies, and veto points in decision-making. Neo-liberalism has been predominant in Britain and the U. S. since the days of M. Thatcher and R. Reagan. Reagan attempted to introduce a personal account into the OASI (Old Age and Survivors Insurance) but failed due to the strong opposition of the AARP (American Association of Retired Persons). The AARP, claiming over 35 million members, is three times as large as the biggest labor confederation, the AFL-CIO. Since various ideologies and preferences exist inside, it is extremely difficult for the AARP to unify itself toward a new direction of policy development. On the other hand, the AARP unyieldingly and vehemently resists any policy changes, which can violate its members' interests.

The British SERPS (State Earnings-Related Pensions Schems) introduced in 1975 had as strong a supporter as the AARP. Besides, it should be reminded that the British political system, featured with Unitarianism, parliamentarianism, and majority government, offers few veto points to political opponents to resist a governmental plan. Taking over Thatcher's policy toward privatization of pension, Tony Blair successfully reduced the coverage of public pension to a minimum and expanded the coverage of private pension.

A pure pay-as-you-go system with no funded assets is extremely vulnerable to population ageing, as mentioned before. On the other hand, however, it creates entrenched interests within the pension policy network because the system is based on a social contract between generations, or to be precise, between the state and citizens. Citizens pay contributions for current retirees since they believe that their pension entitlements in the future are guaranteed by so doing. In Germany, pension entitlement is regarded as a semi-property right, while, in France, pension benefits are conceived of as deferred wages. Such institutional legacies make it extremely difficult and risky for political leadership to accomplish large-scale pension retrenchments. In both countries, organized labor actively resisted against the reforms for pension retrenchment. In France, the unionization ratio is quite low, currently under the 10 percent line, but organized labor in the public sector is quite belligerent and powerful enough to protect its established interests.

Taking into account the strength of organized labor, the Swedish case looms as a puzzle, because Sweden has the strongest labor in the world. How come they did not reject the pension reform? According to Karen Anderson, two factors are of particular importance. Firstly, a consensus across the party lines successfully blocked the penetration of labor's objection into the policy arena. Secondly, the reform was very complicated and difficult to fully understand the balance between gain and loss so that unions were unable to effectively unify themselves on the issue (Anderson 2005). These factors Sweden enjoyed were not available in France or Germany.

Concluding Remarks

This paper has discussed how and to what extent globalization and population ageing affect the system of social protection. Normative questions, such as what kind of social protection is necessary in the era of new social risks or how to construct a new welfare state to deal with new social risks are left untouched. My preliminary empirical study, however, is relevant to these normative questions, at least to a certain extent, because the denial of convergence suggests that the future of the welfare state is not predetermined but dependent upon our ideas and decisions. The choice of a vision, however, is within the constraints of institutional settings. Idealism without realism is doomed to fail. To give a concrete form to a vision, we have to learn what to overcome in decision-making. This paper is a small contribution to the understandings of the real life of the welfare state.

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