

# **Skills and inequality: Partisan politics and the political economy of education reforms in Western welfare states**

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## Introduction

In a seminal contribution to the fledgling comparative literature on welfare state policies, Harold Wilensky made the fateful claim that “education is special” (Wilensky 1975: 3). More specifically, he argued that:

“A nation’s health and welfare effort is clearly and directly a contribution to absolute equality, the reduction of differences between rich and poor, young and old, minority groups and majorities; it is only a secondary contribution to equality of opportunity. In contrast, a nation’s educational effort, especially at the higher levels, is chiefly a contribution to equality of opportunity – enhanced mobility for those judged to be potentially able or skilled; it is only a peripheral contribution to absolute equality.” (Wilensky 1975: 6)

In other words, Wilensky posits that education needs to be assessed and analyzed separately from other kinds of social policies, because in contrast to these, its primary purpose is not necessarily to mitigate socio-economic inequalities in terms of outcomes. Being a meritocratic good, the promotion of educational opportunities entails both private benefits in the form of wage increases for the better educated as well as public benefits. Thus, Wilensky’s claim is not entirely unjustified. Nevertheless, it has contributed to (or at least it symbolizes) the neglect of the study of education in comparative welfare state research as well as comparative political science in general (Busemeyer/Nikolai 2010; Busemeyer/Trampusch 2011; Iversen/Stephens 2008; Jakobi et al. 2010).

It is the purpose of this book to contribute to the reintegration of the analysis of education and training systems into comparative welfare state research (see Iversen/Stephens 2008: 602 for a similar argument). This is done not by comparing policy developments in education with other social policies, but primarily by identifying multiple linkages and connections between education and other parts of the welfare state. In brief, the book traces the political and institutional connections between education and the welfare state at large in three domains: The first is *politics*. I argue and show that those politico-economic coalitions, which supported the expansion of the welfare state in the postwar decades, have also been influential in shaping the institutional design of education and training systems. The second is *outcomes*. Variations in the institutional set-up of the education and training system, in particular the importance of vocational education and training relative to academic education as

well as the division of labor between public and private sources of financing, affect the distribution of income and wealth in the political economy. Finally, I will also document the effects of educational institutions on *citizens' attitudes and preferences* vis-à-vis the welfare state, providing the essential micro-foundation for explaining the durability and sustainability of welfare state arrangements.

In response to Wilensky's claim, I find that although education may be different from other social policies in certain aspects, it is deeply interconnected to other parts of the welfare state via politics, outcomes and popular attitudes. Neglecting these connections has prevented us from developing a deeper understanding of the driving forces of welfare state and education reforms, socio-economic inequality and the citizens' attitudes towards the welfare state. The three domains of politics and policy output, socio-economic outcomes and public attitudes should be analyzed jointly because they represent different stages of the policy-making cycle as it unfolds over time: Political struggles and decisions during the critical juncture of the postwar decades shaped the policy development paths of education regimes in the period of educational expansion. Educational institutions in turn influence contemporary patterns of socio-economic inequality. They also shape popular expectations with regard to the role of government in the provision of social services such as education, contributing to the stabilization of these development paths in the later 20<sup>th</sup> and early 21<sup>st</sup> century. Paraphrasing Wilensky, education may be different from other kinds of social policies, but variations in the institutional set-up in the education and training systems *do* have enormous consequences with regard to the distribution of skills, income and wealth in the political economy at large.

### **Common origins, different development paths: The variety of education and training systems in advanced industrial democracies**

The starting point and motivation for this book is the observation that the institutional set-up of education and training systems in advanced industrial democracies, in particular in Western European countries, was similar in the immediate postwar period, but countries started to develop along very different paths quite soon thereafter (Ansell 2010: 164). The analytical perspective of this book is rooted in comparative political economy. Therefore, the focus is on those types of education, which are most relevant for labor market actors (upper secondary education, vocational education and training as well as higher education), although I fully recognize that other educational sectors

such as early childhood education are also important with regard to welfare state policies (Esping-Andersen 2002), and increasingly so.

Leaving aside the case of the United States for now, which were ahead of European countries with regard to the expansion of higher education, there were large similarities between the Swedish, German and British education system (Heidenheimer 1981: 296, 298): All had an elitist higher education sector and a segregated secondary school system, enforcing a strict distinction and hierarchy between academic and non-academic types of secondary schooling. With regard to vocational education and training, the institutional legacy of firm-based, mostly voluntarist or self-governed apprenticeship training was strong in Germany and the United Kingdom, less so in Sweden, although even here, firm-based apprenticeships remained rather popular in the 1950s and 1960s (Lundahl 1997: 93; Nilsson 2011: 27).

Today, however, the education systems of the three countries look very different. The British education system is characterized by a bias in favor of academic higher education, similar to the US system with its focus on college education. In contrast to the United States, vocational education and training is considered to be more important in Britain, but the system is largely voluntarist and employer-dominated in character, which contributes to its perception as an unpopular choice for low-skilled youths who did not make it into higher education (Ryan/Unwin 2001). In Germany, in contrast, vocational education and training remains a popular alternative to universities. There is a well-developed dual apprenticeship system, which combines practical education on the job with theoretical learning in vocational schools. In turn, academic higher education remains underdeveloped in terms of levels of enrolment, and spending is below the OECD average (Powell/Solga 2011; Schmidt 2007). Higher education in Sweden has expanded rapidly during the last decades and is open to a large share of the youth population. Vocational education remains important, but attempts to expand the involvement of employers in training have mostly failed, so that VET is provided in secondary schools for the most part. Hence, despite the fact that countries started from a very similar position in the immediate postwar period, they have developed in very different directions.

Furthermore, there are obvious similarities (isomorphism) between education systems and other welfare state institutions (Hega/Hokenmaier 2002). The Swedish education system, for example, epitomizes the notion of education as a social citizenship right (Marshall 1964), promoting educational mobility from vocational to academic education

by integrating VET into the general secondary school system and offering generous educational subsidies to students. This is strongly reminiscent of the universal or social democratic model of welfare capitalism (Esping-Andersen 1990), aiming at the elimination of market-generated inequalities through the generous provision of welfare state benefits and services, including education. The German education system, in turn, has characteristics similar to the conservative welfare state model. For one, it is far more tolerant of educational inequalities as it is one of the very few countries that maintain a segregated secondary school system with early tracking of pupils onto academic and vocational tracks. The distinction between different kinds of education is clearly related to the stratification of welfare state institutions into different types of social insurance based on occupational status (Esping-Andersen 1990: 27). Finally, the liberal character of the British welfare state is mirrored in its voluntarist training regime (King 1997) and its competitive and market-based higher education system, in which the role of the state is increasingly reduced.

In addition to institutional similarities, one can identify regime-specific characterizations of the relationship between education and the welfare state. A pioneer in that respect, Heidenheimer (1973, 1981) pointed to the difference between European welfare states and the United States in the promotion of education as a functional equivalent to social insurance (Heidenheimer 1981: 269). More generally, the relationship between education and the welfare state in different regimes has been characterized as follows (cf. Allmendinger/Leibfried 2003; Allmendinger/Nikolai 2010): In liberal welfare state regimes, the promotion of educational opportunities serves as a functional equivalent to more redistributive social insurance policies. For example, governments in the UK deliberately supported the promotion of VET as a means to fight youth unemployment, i.e. as a social policy. In the social democratic or universal welfare state model, education is regarded as an integral part of the welfare state. In Sweden, this is widely acknowledged as the “Nordic model of education” is very much part and parcel of the “Nordic model of the welfare state” (Arnesen/Lundahl 2006) both in terms of public perceptions as well as institutionally (e.g. via active labor market policies). In the continental welfare states, the occupational stratification evident in the social insurance system is mirrored in a strict separation between education and other social policies in terms of politics as well as institutions. The lack of coordination between different kinds of social policies may be a general weakness of the conservative welfare state model, but it is particularly pronounced with regard to the case of education,

because of the missing link between social insurances in the core of the welfare state and education as a distinct policy field. Interestingly, however, the fact that the training system was used less for specific social policy purposes as in Britain has maintained a high level of employer commitment to the training of young people, which in the end might actually have contributed to low levels of youth unemployment and moderate levels of social inequality.

### **The core argument**

The book has two main goals: First, I want to understand why countries ended up with different education and training regimes, and second, I also would like to study the effects of these educational institutions, which are the reflections of policy choices of the past, in the contemporary period.

Despite the complexity of the topic, the book's core argument can be summarized in a straightforward way: Existing scholarship in comparative welfare state research has underestimated the importance of education as an integral part of welfare state regimes. Furthermore, despite relatively similar starting points in the postwar decades, education systems in Western welfare states have developed along distinct historical pathways thereafter, displaying obvious institutional similarities with well-known worlds of welfare capitalism (Esping-Andersen 1990). Crucial dimensions of variation are the role of vocational education and training (VET) relative to higher education as well as the division of labor between public and private sources in education funding. Partisan politics help explain the political dynamic of education reforms that put countries on different development paths. Institutional choices of the past, in turn, shape contemporary patterns of social inequality and popular attitudes towards education policy and the welfare state.

To elaborate more, cross-country differences in the balance of power between social democrats, Christian democrats and conservatives help to understand different choices in the institutional design of education and training systems in the post war period. In Western Europe, this period was marked by a strong expansion of educational opportunities at the post-secondary level, i.e. after the completion of compulsory schooling. Because this was an institutionally underdeveloped sector of education systems, there was a lot of room for the development of different development paths. The menu of feasible policy options primarily consisted of expanding academic higher education or non-tertiary post-secondary education, i.e. vocational education and

training. Partisan politics influenced both the speed and intensity of educational expansion as well as its direction. However, in contrast to traditional partisan theory, I emphasize in this book that the partisan struggle about policy choices needs to put in context, in particular by taking into account the importance of socio-economic institutions and organized labor market interests. In coordinated market economies (Hall/Soskice 2001), non-market forms of coordination among economic actors via strong associations and corporatist institutions facilitate the formation of cross-class coalitions that support the maintenance of VET. Different from the traditional varieties of capitalism perspective (Hall/Soskice 2001), I argue, however, that these cross-class coalitions still have a partisan nature, depending on which partisan force dominates the political arena. This is why leftish coalitions of social democrats and unions in Scandinavian countries have pushed for the integration of VET into the general secondary school system, marginalizing the role of employers in the provision of vocational education. The dominance of Christian democratic parties in some Continental European coordinated market economies such as Germany, in contrast, contributed to keeping employers in the system by establishing a corporatist framework built around apprenticeship training. In liberal market economies such as the UK, cross-class compromise between unions and employers as well as between different parties in the electoral arena remained elusive. The absence of cross-class cooperation led to the eventual decline of VET as a viable educational pathway, channeling the forces of educational expansion to academic higher education. The rapid expansion of higher education could not be financed by public investments alone so that over time, the private share in education financing increased.

Whether and in which form VET survived as a viable alternative to academic education and the ensuing division of labor between public and private sources of education funding has strong implications for patterns of socio-economic inequality. The reason why VET is so important with regard to inequality is that it opens up access routes to high-quality training and well-paid employment for individuals in the lower half of the academic skills distribution who have little chances of getting admitted to tertiary academic education. The decline of VET in liberal skill regimes, often accompanied with an increase in private education spending, contributed to a polarization of skills and income on the labor market in the contemporary period. In contrast, in countries with well-established VET systems and a dominance of public financing, levels of socio-economic inequality are significantly lower.

The survival of VET not only shaped redistributive outcomes; it also influences popular perceptions of educational alternatives as well as attitudes towards the welfare state. Understanding these policy feedback effects reveals yet another linkage between education and the welfare state as well as the causal mechanisms of how past choices contribute to the consolidation of development paths. For example, in countries where VET survived, popular support for maintaining and supporting these educational alternatives is much higher, which explains why the expansion of academic higher education proceeded much slower in countries with well-developed apprenticeship systems. Furthermore, cross-national differences in the division of labor between public and private sources in education financing and institutional stratification shape patterns of public support for education spending and redistribution more generally.

In the following, I am going to provide a more detailed summary and preview of the individual chapters. The book is divided into two large parts: The first part (chapters 1, 2 and 3) approaches the subject from the classical perspective of comparative public policy and welfare state research. In this part, education policy is the dependent variable and I explain why and how partisan politics and institutions are related to different choices in the institutional design of education and training systems. Chapter 1 develops the theoretical framework for this part, which is applied in three case studies of historical development paths in Sweden, the UK (England) and Germany (chapter 2) and extended to a larger sample of OECD countries in a quantitative analysis of aggregate data (chapter 3). The second large part of the book aims at extending the analytical perspective of comparative public policy. As I argue in more detail below, in order to fully understand the complex dynamic of policy and institutional change, it is not sufficient to study the determinants of policy output only. Instead, it is also crucial to understand how policies affect socio-economic outcomes and patterns of popular support, because these feedback effects between the level of policy-makers on the one hand and the level of individuals on the other are important driving forces of policy and institutional change. Therefore, I study the association between educational institutions and socio-economic inequality, in particular wage and income inequality, but also youth unemployment, in chapter 4 and the impact of educational institutions on individual preferences and attitudes in chapter 5. In chapter 6, I highlight the contribution of the book to current debates about skill-biased technological change and the social investment state.



### **Explaining variation: Partisan politics in context**

As said above, the first part of the book (chapters 1, 2 and 3) is devoted to explaining the observed variety of education and training institutions. There are two large strands in the literature that are commonly used to explain differences in skill formation, i.e. education and training regimes. The first is the Varieties of Capitalism (VoC) school of thought (among many others: Hall/Soskice 2001; Iversen 2005; Hancké 2009). The VoC approach draws a broad distinction between general skills systems, focusing on academic higher education, on the one hand and specific skills systems on the other, in which the provision of vocational skills is more important. The VoC paradigm also emphasizes institutional complementarities between the institutions of the skill formation (i.e. education and training) regime and adjacent spheres of the political economy, such as industrial relations between employers and unions, corporate governance and labor market policies (Estévez-Abe et al. 2001). Although it may be useful to highlight broad differences between Anglo-Saxon and European countries, the VoC approach is less able to account for variation within the group of coordinated market economies (Busemeyer 2009a).

It is therefore necessary to bring in a second stream of literature, namely partisan theory. The standard model of partisan theory distinguishes between the partisan representatives of the upper and lower income classes (right and left parties, respectively) and explains differences in policy output related to the partisan composition of governments by referring to economic interests of the core electoral constituencies of political parties (Hibbs 1977; Schmidt 1982). The role of partisan politics as explanatory factor for differences in education policy output is by now well recognized in the pertinent literature (Ansell 2008, 2010; Busemeyer 2007, 2009b; Castles 1989, 1998; Rauh et al. 2011; Schmidt 2007; Wolf 2009; Wolf/Zohlnhöfer 2009). In contrast to other fields of social policy, the link between partisan politics and policy output is more complex and less straightforward because the redistributive implications of educational investments are not as clear-cut as in the case of social transfers (Ansell 2010; Jensen 2011). As will be argued in greater detail below, this is why the historical and institutional context matters enormously when assessing the impact of partisan politics on policy change.

Both theories have certain weaknesses and blind spots that I want to address by developing a more comprehensive theoretical framework. The VoC paradigm has often been criticized for underestimating the role of politics in general (Streeck 2010) and

partisan politics in particular. The VoC framework is helpful in highlighting the crucial role of cross-class coalitions in supporting VET. However, these broad coalitions are still partisan coalitions, depending on which partisan actor is in charge of forming these coalitions. As a consequence, the interests of unions and employers are reflected to different degrees in the policy choices made by these coalitions. A typical blind spot of classical partisan theory, in turn, is to neglect the institutional and political context in which the struggle between partisan forces plays out (see Häusermann et al. 2013 for a similar argument). Some variants of partisan theory (Hibbs 1977; Schmidt 1982) do not take into account the role of organized interests and economic institutions sufficiently. The power resource variant of partisan theory (Stephens 1979; Korpi 1983) is very aware of the formation of coalitions between organized labor market interests and political parties. However, the perspective of power resource theory assumes a pervasive class struggle between business and labor, negating the possibility of sustainable cross-class coalitions, although these have become an empirical reality in many coordinated market economies.

Compensating for the various blind spots of existing theories, the theoretical framework developed in chapter 1 starts with the basic assertion that political parties have different policy priorities and that cross-national differences in the balance of power between partisan families explain variations in policy output and institutional choices. However, the chapter also proposes several extensions to this standard model of partisan theory: First, it is necessary to move beyond the dichotomy between left- and right-wing political parties and to recognize the fact that Christian democratic parties pursue a particular ideology different from secular conservatives in other countries, both in social policy more generally (Van Kersbergen 1995; Wilensky 1981) as well as in education policy in particular. An important reason for why these differences emerge is the fact that political parties do not only form preferences with regard to policy substance (as implied by the standard partisan model), but also with regard to the political process. Christian democratic parties are different from secular conservatives in that they pursue a “politics of mediation” (Van Kersbergen 1999: 356), that is they promote cross-class compromise between unions and employers and delegate public responsibilities to corporatist bodies. In education policy, Christian democrats are therefore much more supportive of collective forms of vocational education and training, even though these may impose short-term costs on employers. Conservatives,

in contrast, are more in favor of promoting academic and elite upper secondary and higher education.

A second extension is to take into account the socio-economic institutional context in which partisan politics plays out, taking on board crucial insights from the VoC debate. There is value to the distinction between liberal and coordinated market economies found in the VoC literature in the sense that the existing institutional structure of the economy shapes the menu of feasible policy options, less so in the initial stages of path formation and increasingly more so over time. Repeated attempts of various British governments to introduce and resuscitate apprenticeship training generally failed, for example, because employers could not be convinced to participate in these collective schemes. However, instead of falling into the trap of economic functionalism, I emphasize that the effects of economic institutions are always mediated by political factors, i.e. the prevailing balance of power between partisan forces.

Third, I argue that instead of focusing on the short-term effects of partisan government, the long-term balance of power between different partisan families is more important. The shift in perspective from the short to the long term is one of the crucial insights of historical institutionalism (Pierson 2004; Thelen 1999), because even large-scale institutional change can happen in a gradual manner (Streeck/Thelen 2005). Government parties can and do affect policy output in the short term, of course, but the implementation of educational reforms take a considerable amount of time, often decades, so that the absence of short-term effects should not lead to the underestimation of partisan ideology as a driving force of policy change.

In chapter 2, I apply the theoretical framework to the three cases of Sweden, Germany and the United Kingdom. The case studies show that the educational reforms of the postwar period were promoted by the same politico-economic coalitions that were driving the expansion and development of other parts of the welfare state during that time period. Hence, there is a strong connection between the politics of education reform and welfare state expansion in terms of the underlying coalitions. As a consequence, the “worlds of human capital formation” (Iversen and Stephens 2008) are quite similar to the well-known “worlds of welfare capitalism” (Esping-Andersen 1990; see also Busemeyer/Nikolai 2010).

First, there is the social democratic model of a *statist skill formation regime*. Sweden will be studied more closely as a concrete example for this variety. In this country, a powerful alliance between the social democrats and rural interests was formed in the

1930s (Anderson 2009: 216-217), which laid the foundation for the establishment of the universal welfare state model to be expanded and built up in the postwar period. At the same time, labor and business ended a period of intense industrial conflict by agreeing to settle disputes peacefully in the historic Saltsjöbaden Agreement of 1938. These coalitional patterns continued to hold well into the postwar period and are thus tremendously important with respect to the enactment of educational reforms (Nilsson 2011). According to Manow and van Kersbergen (2009: 27), the universalist character of the Swedish welfare state can largely be attributed to the pivotal position of the agrarian or Center party in a political system, in which the social democrats, despite being the strongest political force, had to form various minority governments. As will be shown in greater detail below, the education reforms of the 1950s and 1960s, in particular the gradual introduction of the comprehensive secondary school, were promoted by a universalist coalition between rural interests and the urban working class (Husén 1965). The full-scale comprehensivization of the whole education system from primary to post-secondary and higher education was the declared goal of this coalition. A crucial step in this process was taken by fully integrating vocational education and training into the general secondary education system in the early 1970s (Lundahl 1997), setting the system on a path towards a school-based vocational education and training system. It was pushed by a coalition of social democrats and unions, although employers reluctantly supported the reform as well (ibid.: 95). In a classical “battle of the sexes” game, employers agreed to the promotion of VET via schools: They would have liked a more firm-centered system, but still preferred school-based VET over general, non-vocational types of education. In the long term, the leadership of the social democrats and unions in promoting school-based VET led to the marginalization of the role of employers in vocational training. Employers, in particular large firms, adjusted their hiring practices, relying on relatively broad vocational skills provided in the school system and topping these up with firm-specific training for internal labor markets. As a consequence, later attempts to expand apprenticeship training by the non-socialist government in the early 1990s largely failed (ibid.: 98). In order to maximize educational mobility, the integration of VET into the secondary school system went along with opening up access to higher education. Although a distinction between an academic and a vocational track remained at the upper secondary level, completion of the VET track in principle enabled students to go to university. Therefore, a well-

developed VET track did not depress the expansion of higher education as it did in the German-speaking countries.

Second, the United Kingdom (more specifically: England) will be looked at more closely as an example of a *liberal skill formation regime*. In contrast to other countries of the Anglo-Saxon world such as the United States, the British education system had been on a development path quite similar to Germany and Sweden up until the postwar period. In contrast to the other two countries, its postwar record of partisan government as well as economic governance is less clear-cut. Although the Conservative party was in power longer than Labour, significant changes in the welfare state were initiated in the brief reign of Labour after World War II (although this was not the case in education, as we will see). Before Thatcher, Britain's economic governance regime resembled an uneasy and conflicting mix of Keynesianism and liberal voluntarism. This state of affairs is reflected in the education and training system. As in Sweden, the primary concern after the war was to reform the segregated and elitist secondary school system by gradually introducing comprehensive secondary schools. In contrast to the United States, the UK had a well-established apprenticeship training system (Gospel 1994). The 1964 Industrial Training Act even established some kind of corporatist institutional framework in the form of Industrial Training Boards, but the degree of statutory commitment was much lower than in the case of Germany and the institutional legacy of voluntarism lingered on (King 1997). Even more ambitious attempts of corporatist steering set up by the Labour governments in the 1970s in the form of the Manpower Services Commission equally failed to shore up the commitment of employers to training and to prevent craft unions from abusing the system as an instrument to limit access to skilled labor. Thus, various governments failed to establish a collective training regime, because the institutional set-up of the economy effectively prevented the institutionalization of non-market forms of coordination (Finegold and Soskice 1988; Ryan 2000). The decline of the traditional apprenticeship system, furthered by Thatcher's government policies to use training as an instrument of labor market policy instead of skill formation, contributed to a polarization of skills on the labor market. The concurrent expansion of higher education opened up new access routes for the children of the middle class, but it cemented the distinction between academically talented youths on the one hand and the low-skilled in precarious employment and low-quality training on the other. In the 1990s, both the Conservative and the New Labour government tried to resuscitate apprenticeship training, but to no avail. By abolishing

the traditional apprenticeship system and replacing it with a voluntarist, employer-dominated “quasi-market” of government-subsidized training, the Thatcher government had effectively and deliberately destroyed any foundation for cross-class compromise. This example shows how partisan politics and policies can tip the balance in favor of particular institutional outcomes during critical junctures of path development and contribute to the gradual phasing out of institutional alternatives that had remained potentially alive during previous periods.

Finally, there is the *collective skill formation regime* with Germany being a prime example. Collective skill formation regimes differ from the other two types of systems, because employers, unions and the state are all highly and jointly committed to the promotion of skill formation at the intermediate level (i.e. through apprenticeship training) (Busemeyer/Trampusch 2012: 14). In the other systems, either the market or the state dominates in matters of skill formation, whereas in collective skill regimes, market and state actors cooperate with each other in forming cross-class coalitions including unions.

A crucial supporting factor for these cross-class coalitions that has been severely underestimated so far is the role of Christian democratic parties in government. Of course, it is well recognized that the state plays an important role in stabilizing and nurturing corporatist coalitions, e.g. by delegating quasi-public obligations to associations or by acting as a conflict-mediator between opposing interests (Streeck/Schmitter 1985). In matters of skill formation, Thelen (2004: 20) argues that state action or inaction is important in supporting or dismantling coalitions that are formed in the socio-economic arena. In all these accounts, however, the state remains essentially a bureaucratic or at least a non-partisan actor (even in Martin and Thelen 2007). My argument here is to emphasize the importance of *political ideology* shaping governments’ attitudes towards cross-class coalitions and corporatist decision-making in general. Ultimately, this is related to different conceptions about which economic interests should be granted access to decision-making. Above, I already hinted at the peculiar position of Christian democratic ideology in that respect. In contrast to both liberalism and conservatism, Christian democratic ideology promotes a “politics of mediation” (Van Kersbergen 1999: 356), i.e. the deliberate promotion of cross-class compromise. Christian democrats also cherish the subsidiarity principle, delegating as much autonomy to societal actors, in particular associations, as possible.

In Germany, Christian democrats were the dominant political force in government from 1949 until the advent of the Brandt government in 1969. In the 1970s, despite being in opposition in the *Bundestag*, they maintained a strong influence on the policies of the federal government because of their majority in the second parliamentary chamber, the *Bundesrat*. The 1950s were a period of intense industrial conflict. As a remedy to class conflict, Christian democrats promoted the expansion of the welfare state, e.g. by passing a generous pension reform in 1957. Due to the counter-majoritarian nature of German political institutions and probably also in order to move the social democrats from a position on the radical left towards the political center, Christian democrats cooperated with social democrats in the form of informal Grand Coalitions (Schmidt 2008). In line with this, Manow and Van Kersbergen (2009: 22) claim that continental welfare states are “the product of a coalition between Social and Christian Democracy (red-black coalition)”. In education policy, Christian democrats occupied an effective veto position blocking moves away from the traditional, elitist and segregated education model. The opening up of access to higher education happened later than in other countries, namely in the 1970s, when the social democrats were in government. However, Christian democrats *did* support the promotion and expansion of firm-based apprenticeship. Although it had a long tradition and history, the dual apprenticeship training system was not yet fully institutionalized in the postwar period and remained for the most part a system of private interest governance driven and maintained by employer initiative (Thelen 2004: 249). The critical piece of legislation was the 1969 Federal Law on Vocational Education and Training (*Berufsbildungsgesetz – BBiG*), which created a statutory framework for apprenticeship training and ensured participation of unions and other stakeholders. This law was in fact supported and passed by a *formal* Grand Coalition government of social and Christian democrats that ruled from 1966 until 1969. The institutionalization of a well-developed firm-based training system had huge implications for the future development of the education and training system. Most importantly, it depressed the demand for academic higher education (see Ansell 2010: 191) both on the part of youths and their parents as well as employers who adjusted their production strategies accordingly. In contrast to liberal conservatives, however, Christian democrats did not adopt a voluntarist approach to training. Subsidiarity implies delegating quasi-public obligations such as the education and training of young people to associations, but this delegation of authority has a price as economic actors are expected to deliver their part of the deal, namely providing a sufficient amount of

training places for young people. In sum, the political origins of collective skill regimes in the postwar period point to cross-class coalitions dominated by Christian democratic government in combination with high levels of economic coordination.

Chapter 3 continues along the lines of chapter 2 and broadens the comparative perspective to the whole sample of advanced industrial democracies in the OECD world. First, I present descriptive statistics on central institutional characteristics of education and training systems, including a hierarchical cluster analysis that confirms the existence of three distinct country clusters. Second, being conscious of the limits of the dataset, I engage in cross-national analyzes of the determinants of central characteristics of education systems, such as levels of enrolment in vocational and academic education and the private share of education financing. The analyses confirm the central role of partisan politics and economic coordination: Government participation of social democrats is associated with higher levels of public involvement in education, both in higher education as well as in VET. Christian democratic government leads to lower levels of enrolment in higher education, but is positively associated with the expansion of opportunities in VET. Conservative parties instead promoted private financing of education and lowered spending on VET. I also find a strong positive association between economic coordination and the importance of VET, in particular apprenticeship training.

Nevertheless, before moving on, it is important to briefly highlight the limits of the explanatory framework developed in the first part of the book, or in other words: define the scope conditions of the argument. The theoretical argument is very much inspired by the three cases of England, Sweden and Germany, i.e. countries of North Western Europe. Therefore, the theoretical argument does not necessarily apply equally well in other areas of the world with different economic and political conditions. For example, Southern European countries could represent a distinct development path of their own, locking them into a low-skills trap (Allmendinger/Leibfried 2003). In chapter 3, I show that Southern European countries are not that different from other Continental European countries and that the peculiar case of Italy as a country with long Christian democratic government, but without strong apprenticeship training, may be explained by its complex and conflictual territorial politics. At first glance, it seems that the countries of Eastern Asia (Japan and South Korea) as well as North America (US, Canada) would be difficult to explain with my theory, since there are no Christian democratic parties there. However, it is exactly the absence of Christian democracy and



the dominance of conservative and liberal parties that may explain why these countries turned away from VET towards academic higher education and expanded private spending to a much stronger extent than the UK. Finally, my theoretical argument does not necessarily apply to the countries of Eastern Europe, because they have gone through the phase of post-secondary educational expansion under very different political conditions, namely authoritarian socialist rule.

### **From policy output to outcomes and popular attitudes: Re-thinking the scope of policy analysis**

The analytical perspective so far (as well as of the first part of the book) is the classical approach of comparative public policy analysis, i.e. “the study of how, why, and to what effect different governments pursue particular courses of action or inaction” (Heidenheimer et al., 1990: 3). This definition of the purpose of comparative public policy analysis is mirrored in Scharpf’s (2000: 33) distinction between interaction- and problem-oriented policy analysis. According to Scharpf, political science has a comparative advantage compared to other social sciences in interaction-oriented policy analysis, i.e. how strategic interactions between political actors shape policy output. Other disciplines such as economics or sociology, in contrast, would be better placed to study how policies affect outcomes and potentially contribute to the solution of societal problems such as inequality, unemployment, etc. While I certainly agree with Scharpf’s diagnosis of the current state of affairs in the prevailing disciplinary division of labour, I would argue that the traditional scope of comparative public policy analysis can and should be extended for two reasons: First, from a purely analytical perspective, we need a better and more comprehensive understanding of how the policy-making cycle unfolds over time. Understanding how past decisions influence today’s outcomes and popular attitudes towards policy change improves our understanding of the sources of institutional stability and change. Second, from a more normative perspective based on the principle of democratic accountability, we should not only ask whether “parties matter” (Schmidt 1996), but also to what extent policy output has an impact on societal outcomes and to which extent popular opinion responds to changes in policies and in turn shapes patterns of policy-making (Soroka/Wlezien 2010).

As a consequence, the second part of the book is devoted to studying the impact educational institutions and policies on outcomes and popular attitudes. Whereas education policy was the dependent variable in the first part, it now becomes a crucial

independent variable, explaining variation in other dependent variables such as wage inequality and individual-level support for education spending. The overarching theoretical framework, which provides the binding glue that holds the two large parts together, is inspired by the heuristic model of the policy cycle (cf. for example Easton 1965; Sabatier 1991). In a stylized fashion, this ideal-typical model of the policymaking process posits that voters/individuals have political demands, which are aggregated by intermediary associations (organized interests) and political parties to be fed into the policy-making process proper. Earlier research (most famously Hibbs 1977) assumed that policy-makers and government parties can directly influence economic outcomes such as growth, unemployment and inflation. More recent scholarship is more critical in asking whether and to what extent government policies actually do influence socio-economic outcomes such as family patterns or educational choices (Castles 2013; Hacker 2004; Schlicht 2010). It may well be the case that actual outcomes are more influenced by structural changes in the economy rather than policies as such. In the case of education, for example, a prominent argument by Goldin and Katz (2008) is that increasing inequality in countries such as the United States is a consequence of the increasing demand for high-skilled (and therefore better paid) individuals due to technological change. From that perspective, the mediating influence of policies on inequality is limited, because structural effects dominate.

In order to fully understand the impact of partisan politics on societies and economies, however, it is necessary to understand and show that partisan forces shape policy output *and* that policies have an effect on socio-economic outcomes such as inequality (Hacker 2004). In most of the literature on the determinants of inequality (e.g. Bradley et al. 2003; Kenworthy/Pontusson 2005), this distinction between policy output and inequality is not recognized (Rueda 2008 is a notable exception). In education policy, the literature cited above has mostly focused on determining the impact of partisan politics on policy output, primarily education spending. However, so far, it remains unclear how educational institutions (and which particular characteristics of educational institutions) shape patterns of socio-economic inequality.

In addition to their impact on outcomes, policies may also shape popular attitudes and individual preferences. In the literature, this is generally discussed as the policy feedback effect (Mettler/Soss 2004). Pierson (1993) was one of the first to highlight the importance of positive feedback effects as factors stabilizing divergent policy development paths. He argued (ibid.: 598, 610) that existing policies both have resource

and interpretive effects. Welfare state policies distribute and redistribute resources between social groups (see also Esping-Andersen 1990 for a similar argument), so that those groups who are privileged by a particular policy develop an interest in the continued existence of this program. A most obvious example for this kind of feedback effect would be pensioners as beneficiaries of a generous pension scheme, who have a strong interest in maintaining this system and may become more politically active as a consequence (see Campbell 2002 for the case of the US). Besides self-interest, however, existing policies and institutions shape “cognitive processes of social actors” (Pierson 1993: 610) or to put in simpler terms: popular expectations with regard to the role of government as a provider of social services such as education. Taken together, these two mechanisms lead to the expectation of positive feedback effects: The longer institutions are in place, the less likely it is they will change in a radical manner, because there are important social groups who have developed a strong interest in maintaining existing institutional arrangements and congruent popular perceptions of the legitimate role of government in the welfare state and education system are deeply entrenched.

Putting the various pieces together, this book’s innovative contribution is to combine the study of political conflicts during critical junctures from a historical-institutionalist perspective (chapters 2 and 3) with the analysis of how these institutions shape socio-economic outcomes (chapter 4) and patterns of popular support (chapter 5) in a systematic manner. This kind of encompassing analytical perspective is necessary if we want to fully understand the dynamic of the policy-making cycle as it unfolds over time. Critical institutional choices in the past have implications for the distribution of resources in the contemporary period. Once institutions are established, they influence popular expectations with regard to the role of the state in the provision and financing of education and the welfare state more generally. Understanding the complex feedback effects of institutions and policies on popular attitudes is therefore necessary in order to explain the long-term political sustainability of institutional paths. Without taking feedback effects into account, it is hard to understand why individuals in some countries are willing to accept high levels of tuition fees, whereas in other they expect the state to provide and finance education. Also, it would be hard to understand the political sustainability of segmented secondary school systems, which limit social mobility for those in the lower half of the income and skills distribution.

In the following, I will preview briefly the most important insights from the study of outcomes in terms of inequality (chapter 4) and popular attitudes (chapter 5).

### *Educational institutions and socio-economic inequality*

Whereas chapters 2 and 3 identified partisan politics as one important mechanism linking education policies and the welfare state, chapter 4 addresses the question whether educational institutions are also relevant determinants of socio-economic outcomes, such as the distribution of income and labor market stratification. The motivation for studying the implications of educational institutions for socio-economic inequality is based on an interesting puzzle: As will be shown in the beginning of chapter 4, there is no simple, i.e. linear relationship between educational and socio-economic inequality, i.e. higher levels of educational inequality do not automatically translate into higher levels of socio-economic inequality in terms of wage and income inequality.

The concept of educational inequality is prominent in the field of educational sociology and captures the degree to which access to higher levels of education is affected by parental or family background. For example, educational inequality is higher in cases where the association between parental background and educational performance or access to education is stronger. However, a lower degree of educational stratification can go along with a high level of socio-economic inequality, i.e. inequality in terms of income, wealth and wages. In the United States, for instance, high levels of socio-economic stratification are associated with relatively *low* levels of educational inequality. High schools in the US are comprehensive, and the higher education system offers a huge variety of educational alternatives for different educational needs, contributing to high levels of tertiary enrolment, although there is of course a hierarchy of more or less prestigious institutions within the higher education sector (Allmendinger 1989). Nevertheless, the level of socio-economic inequality is high. The contrast cases are, of course, the Scandinavian countries. Here, educational inequality is low as secondary schools are comprehensive and access to higher education is open to a large share of the population. But, different from the United States, the level of socio-economic inequality is also low. Finally, Germany as well as Switzerland have exceptionally high levels of educational inequality, often documented in the OECD PISA studies (OECD 2010). Family background has a strong impact on educational attainment and the probability of completing higher education (Pfeffer 2008). Still, the level of socio-economic inequality is quite moderate: somewhat higher than in the Scandinavian countries, but much lower than in the Anglo-Saxon world.

Why is this observation important? It is because it points to a large blind spot in the literature that in my view is also caused by a lack of interdisciplinary exchange. In educational sociology, a huge literature has studied the impact of educational institutions on stratification in terms of educational choices and educational inequality (for example, see Allmendinger 1989; Blossfeld/Shavit 1993; Breen et al. 2009; Müller/Shavit 1998; Pfeffer 2008). A core finding in this literature is that educational inequalities in terms of class biases in access to education are persistent despite the decades-long trend of educational expansion. A second core finding is that segregated educational institutions (early tracking) exacerbate educational inequalities (Pfeffer 2008). However, this literature essentially equates “inequality” with educational stratification and does not look at the relationship between educational inequalities and stratification on the labor market.

In the political economy literature on the determinants of socio-economic inequality, in contrast, educational institutions are rarely included as independent variables. Popular topics in this field of research are, for example, the impact of the power of the left (Bradley et al. 2003; Rueda 2008), varieties of capitalism (Pontusson et al. 2002; Rueda/Pontusson 2000), collective wage bargaining (Wallerstein 1999) and electoral institutions (Iversen/Soskice 2006, 2009) on inequality. There are a couple of exceptions, however. Estévez-Abe, Iversen and Soskice (2001) argue that countries with a well-developed vocational training system exhibit lower levels of inequality, because the availability of vocational training opportunities opens up access to high-skilled and well-paid labor for students with few academic skills. Bradley et al. (2003) as well as Lupu and Pontusson (2011) test this hypothesis in a way that is more rigorous from a methodological point of view than the initial explorative approach applied in Estévez-Abe et al. (2001) and find no support for this claim. One important shortcoming of this research is that it does not distinguish between different *kinds* of VET (school-based vs. workplace-based). Addressing this problem, Busemeyer and Iversen (2012) differ between public investment in VET on the one hand and employer involvement on the other. This distinction is important, because they are able to show that public investments in VET *do* in fact reduce wage inequality, but not youth unemployment. Vice versa, a strong involvement of employers in training (i.e. a higher share of students in workplace-based forms of apprenticeship training) reduces youth unemployment, but has *no* significant effect on inequality.

This book extends the work of Busemeyer and Iversen (2012) by engaging in an in-depth analysis of the role of educational institutions as determinants of socio-economic inequality and labor market stratification. In addition to the distinction between academic education on the one hand and different kinds of vocational education on the other, I introduce the division of labor between public and private sources in funding education as a second important dimension of variation. In combination, these two factors contribute significantly to the explanation of variation in inequality: Higher levels of public involvement in the funding of higher and vocational education are associated with reduced levels of wage inequality. However, the high level of statism in the provision of education has negative side effects. The crowding out of employers in the provision of training in countries like Sweden or Finland (though not in Denmark, whose training system is more similar to the German one) leads to high levels of youth unemployment in these countries.

*Policy feedback: The impact of educational institutions on attitudes and preferences*

Finally, in addition to politics and outcomes, a third linkage between education and the welfare state runs via the micro level of individual preferences and attitudes (chapter 5). It is important to consider this additional linkage in order to fully understand the development of path dependencies over time as well as the micro-level foundations and causal mechanisms underlying the macro-level associations found in previous chapters. In an ideal world, it would be possible to trace the feedback effects of institutions on attitudes throughout the entire postwar period. Unfortunately, large cross-national datasets on surveys of public opinion are only available for the last 10 to 15 years. Therefore, the goal of this chapter is much more modest: I am interested in tracing the effect of past institutional choices, manifested in cross-national differences, on contemporary patterns of popular attitudes and individual preferences.

Above, I presented hypotheses on factors explaining these institutional choices, which is the focus of the first part of the book. Here, I am concerned with their consequences and their feedback effects on the politics of institutional change, in particular citizens' attitudes and preferences. This research question is connected to a broader literature analyzing the effects of welfare state institutions on popular attitudes. A well-established finding in this literature is that welfare state cut backs are unpopular in general and politicians are therefore unlikely to move forward with large-scale retrenchment against wide-spread popular opposition (Boeri et al. 2001; Brooks/Manza

2006, 2007). There has also been a debate on whether the institutional set-up of the welfare state has consequences for individual-level support. Going back to the influential work of Rothstein (1998), the common expectation is that popular support for the welfare state is higher in universal, Scandinavian welfare states than in the means-tested, residual welfare states of the Anglo-Saxon world, but the empirical evidence remains ambiguous (Andreß/Heien 2001; Arts/Gelissen 2001; Blekesaune/Quadagno 2003; Jaeger 2009). The counter-argument is provided by the “public as thermostat” model developed by Wlezien (1995) and expanded in Soroka and Wlezien (2010). This model expects popular support for expanding the welfare state to decline after a certain threshold is reached, i.e. citizens do not want to expand the welfare state indefinitely.

As a reminder, the crucial variables are whether vocational training as an alternative to academic higher education “survived” (i.e. remained a viable and popular educational pathway next to university education) and which division of labor between public and private sources of education funding emerged. The analyses in chapter 5 confirm that these institutional macro-level contexts shape popular attitudes toward education policy and the welfare state more generally. For example, high levels of educational stratification (i.e. a strong class bias in access to higher levels of education) are associated with higher levels of support for public education spending among the rich and the well-educated, since the children of upper income classes are more likely to benefit from these additional investments. Furthermore, a large share of private financing in education is related to a lower willingness to support redistribution on the micro level, since individuals who have paid for a significant share of their human capital stock out of their own pocket are less likely to support government measures that would reduce their wage premiums. Finally, this chapter also documents the special status of education in comparison to other social policies: I find that individual income and educational background are significant negative determinants of individual-level support for social policies, in line with the model developed by Meltzer and Richard (1981). Richer and better-educated individuals are less likely to support the expansion of the welfare state, because they largely would have to pay for this in the form of higher taxes. In contrast, in the case of education, there is not statistically significant association between individual income and support for more public education spending and I even find a positive effect for individual educational background. This indicates that education may indeed be less redistributive compared to other social policies and that institutional context is paramount in mediating the impact of micro-level variables.

## **Concluding outlook and added value**

In sum, the book aims at promoting the reintegration of the study of education into comparative welfare state research. This book shows that there are multiple linkages between education and the welfare state in terms of politics, outcomes and popular attitudes. Despite its broad scope of analysis, this book for sure will not be able to address all questions. Therefore, in the concluding section I comment briefly on the contribution of the project to contemporary debates about the “race between education and technology” (Goldin/Katz 2008) and the social investment state (Morel et al. 2012). I also mention avenues for future research, in particular the study of early childhood education and lifelong learning.

The book moves beyond existing scholarship in three ways: First, it combines the study of politics and policy output on the one hand with an analysis of how policies impact on outcomes and popular attitudes on the other hand. In adopting this kind of encompassing analytical perspective, I try to move beyond disciplinary boundaries between comparative welfare state research, political economy and labor market sociology as well as to extend the classical analytical perspective of comparative public policy. Furthermore, the book combines different methods – from historical process tracing via quantitative analysis of macro-level data to analyzing micro-level survey data – in order to develop a deeper understanding of the dynamics of welfare state and education reforms.

Second, the book studies different kinds of upper and post-secondary education at the same time: general secondary education, vocational education and training and higher education. Existing scholarship with a similar analytical perspective rooted in comparative political economy tends to focus on either one of these without taking into account the feedback effects of institutional developments in adjacent sectors of the education system. For example, Ansell (2008, 2010) focuses primarily on higher education, whereas Thelen (2004) studies vocational training.

Third, in terms of theory, the book proposes several extensions to the standard model of partisan theory. Again, existing scholarship runs the risk of presenting an overly simplified account of the complex dynamics of partisan conflict. For instance, some applications of the partisan model to education policy (Ansell 2008, 2010; Bussemeyer 2007; Castles 1989; Boix 1997, 1998) focus on partisan conflict without taking the role of organized labor market interests and the mediating influence of the institutional



context into account. Also, the peculiar approach of Christian democratic parties to education policy that is different from both social democracy and conservatism has not been acknowledged sufficiently in the literature on skill formation regimes. As is argued in the following chapter, broadening the analytical perspective of the standard model by placing partisan politics in context holds the potential of providing a better understanding of the complex dynamic of political conflict.