

Skills and inequality: Political parties, economic coordination and the variety of skill formation regimes in Western European countries

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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 argued 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. 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 collective 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 (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, which is both possible and necessary (see Iversen/Stephens 2008: 602). This book will show that there are multiple connections between education and other parts of the welfare state. Neglecting these connections has prevented us from developing a deeper understanding of the driving forces of welfare state reforms, socio-economic inequality and the citizens’ perceptions of and attitudes towards the welfare state. Thus, 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. Political actors are very aware of the distributive implications of institutional choices in education policy (Ansell 2008, 2010) as the balance of power

between politico-economic coalitions during critical junctures of historical development had a lasting impact on the formation of different development paths of education and training regimes in advanced industrial democracies.

Thus, 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 supporting the expansion of the welfare state in the postwar decades have also been influential in shaping the guise 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.

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 was very similar in the immediate postwar period, but countries started to develop along very different paths quite soon thereafter. Furthermore, there are obvious similarities between education systems and welfare state institutions (Busemeyer/Nikolai 2010; Iversen/Stephens 2008). Why did countries develop along different paths, why are there similarities between education and other social policies and what are the consequences for social inequality and popular support for the welfare state?

Coming back to the first point: Education systems in the postwar decades were quite similar to each other, in particular in Western Europe (Ansell 2010: 164). With regard to the expansion of secondary education, the United States were ahead of European countries, because it did not have to deal with the institutional heritage of a class-based, elitist education system (Heidenheimer 1981: 296). However, as Heidenheimer (*ibid.*: 296, 298) argues, there were large similarities between the Swedish, German and British education system: All had an underdeveloped and 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, the number of apprentices was on the same level as the number of students in state-sponsored vocational schools (about 10,000, see Lundahl 1997: 93).

Today, however, the education systems of the three countries look very different. The British education system is characterized by a strong 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, 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 higher education. There is a well-developed dual apprenticeship system, which combines practical education on the job with theoretical learning in vocational schools. As a consequence, academic higher education remains underdeveloped and often underfinanced (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 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. Interestingly, this does not necessarily have to be associated with high levels of *socio-economic* inequality as we will see. Nevertheless, 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). Because of early democratization and late bureaucratization, access to secondary and later post-secondary education expanded much earlier and more rapidly in the US than in Europe. In continental Europe, Germany is again cited as a crucial case, the origins of social insurance in the authoritarian era of the Bismarck regime imply that social benefits might have served the purpose of pacifying the truculent working class, whereas the early promotion of education would have led to their real emancipation. Consequently, as Heidenheimer shows, unions in the US were opposed to far-reaching state intervention in the field of welfare services and supported the expansion of educational opportunities instead (Heidenheimer 1973: 318; 1981: 280), whereas unions in continental Europe did not mind being incorporated into the administrative structure of the emerging social insurance system as they aimed to make use of this for the purpose of organization and mobilization of their membership base (Trampusch 2010).

Thus, the relationship between education and the welfare state in different regimes can be 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 as the latter are for political and/or institutional reasons not feasible or available. As we will see in the case studies below, 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 related to 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. Interestingly, however, the fact that the training system was never “misused” for social policy purposes to the same extent as in Britain has contributed to maintain a high level of employer commitment to the training of young people, which in the end might actually have beneficial consequences with regard to low levels of youth unemployment and moderate levels of social inequality.

Explaining variation: The Varieties of Capitalism perspective

How did countries end up on different development paths? And which mechanisms explain the sustainability of institutional variation across time? Although there is very little scholarship that deals explicitly with the analysis of the connections between education and the welfare state as it develops over time, two broad perspectives can be distinguished. One is rooted in the Varieties of Capitalism (VoC) debate (Hall/Soskice 2001), which in fact played a crucial role in raising the interest of mainstream comparative political scientists and welfare state researchers in the study of education (Busemeyer/Trampusch 2011: 424-429). Education and training systems were regarded as one of five institutional spheres of political economies in the original framework developed by Hall and Soskice (2001: 25-26). Inspired by the earlier work of Streeck (1989, 1992), the core argument was that the institutional set-up of the education and training system has implications for the availability of different kinds of skills in the political economy, which in turn influences firms’ choices of production strategies and patterns of competitiveness. Specific or occupational skills dominate in coordinated market economies such as Germany, impelling firms to specialize in the production of high-end manufacturing products, when institutional complementarities between the systems of skill formation and adjacent institutional spheres such as industrial relations and finance allow firms to adopt a long-term perspective in human capital management and skill formation (Hall/Soskice 2001: 28). The institutions of liberal market economies (LMEs) such as the United States encourage investments in

general, academic skills that can be easily transferred from one job to another. Hence, firms in LMEs excel in product markets that value fast-paced innovation and high-level academic skills (IT, biotech, consulting, etc.) (ibid.: 32).

In the original framework of Hall and Soskice (2001), the welfare state as such was not mentioned as one of the five institutional spheres. The link between skills and the welfare state featured more prominently in related work by Torben Iversen, David Soskice and others (Cusack et al. 2006; Estévez-Abe et al. 2001; Iversen/Soskice 2001; Iversen 2005). In particular, Iversen and Soskice (2001) (from now on: IS) develop an “asset theory of social policy preferences”, which argues that individual skill portfolios of workers have an impact on their demand for social insurance (see also Moene and Wallerstein 2001, 2003 for a related argument). Controlling for other factors such as income or level of education, workers with more specific skills exhibit a higher demand for social insurance, because the risk of their skills becoming obsolete is higher than in the case of general, transferable skills. Employers, as is argued in Estévez-Abe, Iversen and Soskice (2001), are willing to accommodate this demand for insurance in coordinated market economies, because they have an interest in maintaining their competitive advantage in product markets that require specific skills. The counter-intuitive prediction that comes out of this line of reasoning is that employers, at least in coordinated market economies, are willing to support the expansion of the welfare state, because they would like to maintain the workers’ willingness to invest in specific skills. Historical work by Mares (2001, 2003) and Swenson (2002) provides additional evidence for employer support of welfare state expansion under certain conditions.

The VoC debate has triggered a huge debate, which cannot be adequately summarized here (but see Becker 2007; Hancké 2009; Deeg/Jackson 2006; Streeck 2009 for critical overviews as well as Busemeyer 2009a; Emmenegger 2009; Streeck 2012 with regard to the issue of skill formation more specifically). The crucial take-away for the purpose of this chapter is the stipulation of a functional complementarity between skill formation and welfare state policies. Employers in CMEs support welfare state institutions, because they serve an important function, which is securing an adequate supply of a particular kind of skills. Thus, the VoC framework is particularly well-suited to explain the sustainability of institutional arrangements: The existence of institutional complementarities propels political economies to move either in the direction of a pure LME or a pure CME as mixed economies perform worse than the pure models (Hall/Gingerich 2004, 2009; but see Campbell/Pedersen 2007 on the success of

institutional “hybrids”). Thus, once political economies reach a particular equilibrium, all actors involved have a rational incentive to maintain that equilibrium, because economic performance would decline otherwise.

The VoC framework in the original version is less able to explain the emergence of different varieties of capitalism. To be fair, Estévez-Abe et al. (2001: 147) explicitly state that “our model is *not* intended to explain the origin of specific social policies”. Nevertheless, an encompassing theoretical framework should be able to explain both institutional change and stability. Recent work in the field has therefore gone back to the late 19th or early 20th century and aimed at explaining contemporary varieties of capitalism with the outcomes of political struggles during the critical juncture of industrialization (Iversen/Soskice 2009; Korpi 2006; Mares 2003; Martin/Swank 2008, 2011, 2012; Swenson 2002; Thelen 2004). Of course, this is very much in line with the theory of path dependency (Pierson 2000, 2004), which argues that events that happened in the early phase of path formation have a stronger impact on the later shape of the development paths than later events. However, there is a danger that the baby is thrown out with the bath water: Not everything was preordained by developments during the industrial revolution. Political struggles and conflicts in the mid-20th century had enormous consequences for the shape of contemporary education and training regimes. Political settlements between the major economic and political actors that might have existed prior to the war were called into question and re-negotiated. Furthermore, education and training systems entered a new phase of development after access to primary education had become more or less universal during the first half of the 20th century. The expansion of post-secondary education, however, took very different forms. In order to explain this variety of development paths, I now turn to the second broad perspective in the literature: historical institutionalism.

Partisan Coalitions, Economic Coordination and the Political Origins of Education and Training Systems in Western Europe

How can we explain the formation of different development paths of education and training regimes? Theories in comparative public policy proffer different explanations. A first perspective rooted in modernization theory emphasizes the importance of socio-economic forces over political and institutional determinants (Wilensky 2002). The continued expansion of educational opportunities, in particular at the higher post-secondary level, is regarded as a corollary to the societal and economic development. Cross-country differences in policy output are thus attributed to differences in the level of development. In recent times, economic globalization may contribute further to the expansion of educational opportunities as individuals and companies invest in skill formation in order to cope with the intensified economic competition (Ansell 2010; Busemeyer 2009b). Besides economic development, the socio-economic school identifies demographics as an important determinant of policies. Thus, countries with a higher share of the population in school age are likely to spend more on education (Busemeyer 2007).

A different, but related perspective is put forward in the theory of the world society (Meyer et al. 1992). Here, the massive expansion of educational opportunities during the 20th century is attributed to the institutionalization of a legitimate model of the nation-state, of which the universal provision of primary and later secondary education is an important element (ibid.: 129). In contrast to modernization theory, the spread of education is therefore not primarily attributed to its functional complementarity to the developing industrial society, but to its appeal as an instrument of legitimation used by societies eager to become part of the fledgling “world society” built upon Western notions of democracy and development.

Undoubtedly, socio-economic explanations and world society approaches are well suited to explain the massive expansion of educational opportunities across the duration of the 20th century and beyond. Approaching the subject from a global perspective, they are less able to explain the more fine-grained differences in the institutional set-up of education and training systems in the Western world. These theories may be able to explain why post-secondary education expanded in all countries, but they cannot account for the huge variety of different *types* of post-secondary education.

In that respect, historical institutionalism – or neo-institutionalism more generally – may be superior (Hall and Taylor 1996; Pierson 2000, 2004; Steinmo et al. 1992; Thelen 1999). Theories of path dependency can explain, why countries follow distinct development paths. Once a path is chosen, actors tend to stick with it, because changing the path would result in significant transaction costs as actors adjust their preferences and strategies accordingly (Pierson 2000, 2004). Also, institutions have feedback effects on the political process in the sense that they may impact on the balance of power between actors (Pierson 2004: 36-37). Because of path dependency and the associated institutional “lock-in” effects, work in this tradition needs to “go back and look” (ibid.: 47) at the historical origins of contemporary institutional arrangements, paying close attention to the fact that actors (or coalitions of actors) that supported the establishment of a particular institution at one point in time might in fact not be the same ones that benefit from its maintenance in the later periods. A well-known example for this is Thelen’s historical account of the formation of training regimes, where she finds that unions initially opposed the establishment of workplace-based training regimes only to become its supporters in later years (Thelen 2004).

Historical institutionalism has been criticized on a number of fronts. One common criticism is that the claim of path dependency is overstated and does not fit empirical reality. In Pierson’s analysis of Western welfare states, the conservative-corporatist type to be found in Continental European countries has been singled out as being particularly resistant to change and reform because of its many established veto points and powerful clientel groups (Pierson 2001: 446). Empirical studies of institutional change in “Bismarckian” welfare states, however, have convincingly shown that these welfare states *do* change in significant ways, although change proceeds in various stages of reform instead of a single “big-bang” reform (Häusermann 2010; Palier 2010).

Related to this empirical type of criticism, recent work on institutional change draws attention to theoretical inconsistencies in the first generation of theories in historical institutionalism (Hall and Thelen 2009; Mahoney and Thelen 2010; Streeck and Thelen 2005; Thelen 2003, 2004). The central problem is that theories of path dependency draw a stark distinction between periods of stasis, when the forces of path dependencies are at work, and periods of institutional break-down (Streeck and Thelen 2005: 1). Path dependency can explain very well which forces keep institutions in place once they are set up, but they cannot explain *why* these institutions were set up in the first place nor *why or how* they might be transformed in incremental ways. In brief, in emphasizing the

impact of institutions on actors' choices, historical institutionalism in its earlier versions lacks a theory of action. This is why it should and can be combined with well-established actor-centered theories such as power resources theory or Thelen's coalitional approach.

Classical power resource theory highlighted the role of coalitions between trade unions and leftist parties in government as driving forces of welfare state development (Korpi 1983; Esping-Andersen 1990; Stephens 1979; more recently, but in a similar vein: Bradley et al. 2003; Korpi 2006). Depicting political conflict as a struggle between partisan coalitions of the left and right, the power resource perspective, however, fails to explain the emergence and sustainability of cross-class coalitions, which have been found to be the crucial supporting pillars of collective vocational training regimes as joint investments in vocational skills create a form of mutual dependency between workers and employers (Busemeyer/Trampusch 2012; Cusack et al. 2007; Thelen 2004).

In her coalitional approach, Thelen posits that the long-term survival of socio-economic institutions fundamentally depends on the presence of supporting coalitions of actors (Thelen 2004: 290-291; Hall/Thelen 2009: 12). Making use of the "gaps" that necessarily emerge between institutions as abstract rules and their concrete implementation on the ground, actors continuously engage in institutional re-creation and inadvertently institutional change as changes in the balance of power between actors or their preferences can lead the incremental changes in institutional frameworks that may accumulate to large-scale change in the long run (Streeck/Thelen 2005; Mahoney/Thelen 2010).

Thelen's coalitional approach is a significant advancement over previous work on theories of institutional change, because instead of conceptualizing political struggles over policy reforms in terms of epic battles between the left and right, Thelen advocates a fundamentally empirical approach, paying close attention to the reconstruction of politico-economic coalitions in policy-making, which may sometimes run counter to a priori expectations. In this respect, it is quite similar to "actor-centered institutionalism" put forward by Mayntz and Scharpf (Mayntz and Scharpf 1995; Scharpf 2000). The difference is that in actor-centered institutionalism, politics is conceived of a process of bargaining or mutual adjustment between individual or collective actors, whereas Thelen emphasizes the formation of *coalitions* of actors.

However, what is missing in Thelen's argument so far is an appreciation of the role of partisan actors in general and government parties in particular as partly independent agents of institutional change. In her work on training regimes, Thelen argues that the state plays a crucial role in supporting the formation of different kinds of alliances between economic actors (Thelen 2004: 32), but the interests of state actors do not seem to be determined by partisan politics as such. In later work, Martin and Thelen (2007) state that state actors in countries with a large public sector develop an interest in maintaining cross-class solidarity, because government bureaucrats have an incentive to cater to the interests of the low-skilled and long-term unemployed as these are also part of the large sector of public employment (ibid.: 16-17). Also, employers and unions have an incentive to cooperate with each other in order to fend off the intrusion of the state (ibid.: 17). Again, state actors feature as bureaucrats, not partisan actors. This may be helpful for explaining why cross-class solidarism and a large public sector develop a mutually reinforcing relationship over time, but it does not explain why countries ended up with different degrees of state involvement in the political economy more generally and in systems of skill formation in particular.

In order to understand this, it is necessary to bring in partisan theory. Starting with Hibbs (1977), this theoretical perspective attributes differences in policy output to government parties' catering to different electoral constituencies (Schmidt 1996), e.g. left parties want to increase public spending to promote the interests of lower income citizens, whereas rightist parties prefer to lower taxes. Whereas power resource theory tends to regard government parties as the extensions of interest groups from the labor market to the policy-making sphere, partisan theory recognizes a certain degree of political independence of government parties from their electoral bases. Partisan actors are *both* office- and policy-seeking (Müller and Strøm 1999), i.e. they aim at implementing certain kinds of policies, while trying to win electoral majorities by mobilizing their core electoral constituencies and by appealing to the median voter.

In a certain sense, the blind spots of partisan theory are the mirror image of the coalitional approach. Whereas the coalitional approach focuses on the interaction between coalitions of economic actors and state actors as non-partisan agents, partisan theory blends out the impact of organized interests on government policy choices. Power resources theory *does* take into account organized interests, but assumes coalitional patterns that reflect the underlying class cleavage, i.e. unions and the left against employers and the right.

A recent example for the application of partisan theory to the study of education policy is the influential work of Ansell (2008, 2010) and Boix (1997, 1998).¹ Both Ansell and Boix start out by deriving the expected interests of individual voters in different income classes with regard to institutional choices in education policy. For example, Ansell (2008: 200) argues that poor voters will prefer a privately funded elite system of higher education if access to universities is income-dependent as they have no interest in subsidizing the education of the rich. The preferences of political parties are then derived from the preferences of voter groups that parties represent (Ansell 2010: 125). Choices of government parties thus reflect the (economic) interests of their core electoral constituencies.

Independent of whether the claim that poor citizens actually *do* behave as expected in the model and prefer a privatized elite university system is borne out in empirical reality, a theoretical weakness of this type of model is that it does not take into account the impact of organized interests on the choices of government parties. Of particular importance is the question how the interests of business actors (employers) are represented within political parties. Unions can be conceived as coalitions of voters, bound together by their similar status on the labor market. Business interests, in contrast, are not directly represented in elections. Firms cannot vote. Of course, there are some “capitalists” who are also natural persons, e.g. owners of companies. But for the large part, firms are corporate bodies. Their well-paid managers, of course, may vote, but “the firm” as such does not have a vote in elections.

Why should it matter that firms cannot vote? It matters because countries differ largely with respect to the representation of business interests in political parties, as a consequence of differences in the electoral system *and* differences in partisan ideology. In pluralist, liberal market economies, firms have to rely on indirect, but not necessarily powerless means to influence the outcome of an election such as lobbying or sponsoring preferred candidates. *In addition* to these instruments, businesses in corporatist, coordinated market economies can dispose of more direct channels into policy-making. In electoral systems based on proportional representation (which is itself related to the degree of coordination, see Cusack et al. 2006; Iversen and Soskice 2009), representatives of business interests may be put on party lists and elected to parliament

¹ Other studies on the partisan politics of education include Busemeyer 2007, 2009b; Jensen 2011; Schmidt 2007; Wolf and Zohlnhöfer 2009. The work of Ansell and Boix, however, is more rigorous in the application of partisan theory than these other studies.

exactly because they are representatives of organized business. Also, political parties are much more willing to include organized interests in decision-making via parliamentary committees or other corporatist bodies (Iversen and Soskice 2009).

Hence, the link between partisan politics and economic interests varies in strength and kind across countries. One crucial, but at times seemingly forgotten difference between coordinated and liberal market economies is exactly that economic and partisan interests are much more connected with each other in coordinated economies whereas they remain fragmented and disconnected in liberal settings.

Thus, bringing the two perspectives of partisan theory and Thelen's coalitional approach together, I will argue in the following that countries vary along two core dimensions: first, the degree of coordination both within the socio-economic system at large as well as between economic interests and policy-makers; second, the long-term partisan balance of power in government. Looking at these dimensions in isolation precludes a deeper understanding of the varieties of capitalism. For example, we will not understand why governments in the UK repeatedly failed to establish a collective skill formation system, nor will we understand why the Swedish and German system developed in very different directions although in both countries, there is a broad cross-class consensus in matters of skill formation.

Considering the two dimensions jointly, I will argue that particular combinations of the degree of economic coordination and the balance of power between partisan interests are associated with different coalitional patterns, which affect the development of education and training regimes. In general, I want to highlight two issues: First, institutions feed back on the balance of power between actors and actor groups ("policies shape politics"). When establishing institutions, political actors want to achieve two goals: In terms of *substance*, they want the institution to perform a particular function, e.g. improving the incomes of the poor by increasing welfare state benefit payments. With regard to the political *process*, actors may aim at designing an institution in such a way as to empower their own position while weakening the influence of the political adversary. A good example for this is Margaret Thatcher's policy to abolish corporatist institutions in apprenticeship training in order to weaken the influence of unions (see Chapter 2). The second and related issue is that political parties, when in government, do not only form preferences on the substance of policies, but also with regard to how the political process of decision-making should proceed. In particular, partisan ideology may differ with regard to which interests should be granted

access to decision-making (unions, employers, both or none of the above) and which forms of interest mediation between political and economic interests should prevail (pluralist, corporatist or statist/hierarchical forms of interest mediation).

Coming back to our two dimensions: The first dimension of economic coordination is well-known from the VoC debate. The conventional perspective is that a high degree of strategic coordination via corporatist institutions is a necessary condition for the establishment and long-term sustainability of vocational training systems as joint investments in vocational skills require a long-term perspective and mutual trust (Hall/Soskice 2001; Cusack et al. 2007). Above and beyond the establishment of cooperative relationships between business actors and unions, however, economic coordination is also associated with strongly institutionalized relationships between economic interests and state actors (e.g. Lehmbruch 1979: 150). Vice versa, in liberal market economies (LMEs) of the Anglo-Saxon variety, pluralist bargaining and lobbying prevails over corporatist forms of interest mediation, implying a larger distance between policy-makers and economic actors. "Creating cooperation" (Culpepper 2003) in skill formation in a liberal, pluralist setting – although not impossible – is certainly harder to achieve than in coordinated market economies, where organized interests restrain the actions of policy-makers in order to promote common interests for the long term (Jacobs 2008). Differences in the degree of economic coordination also have implication for the balance of power *within* the camp of business. A low degree of coordination implies a pluralistic competition of interests between individual employers. Large employers are able to command more resources and are thus in a better position to lobby policy-makers. Associations have a voluntarist character, i.e. they have no or very little means of coercing their members into pursuing activities in the joint interest of employers. A high degree of coordination, in contrast, is associated with more powerful employers' associations, able and willing to impose obligations on their individual members.

The second dimension relates to the partisan composition of governments. The literature is somewhat divided on the issue of partisan preferences with regard to different kinds of education (Ansell 2010; Busemeyer 2009b; Boix 1998; Jensen 2011; Schmidt 2007). The crucial aspects for the purpose of this book is to think about how the socio-economic context shapes the menu of options for government parties, but also how parties in turn try to manipulate the *politics* of institutional change, i.e. the balance of power between economic interests, by promoting different policy solutions. In this

respect, political parties not only have preferences over the content of policies, but also over how the *political process* should be structured, i.e. which kinds of economic interests should be given privileged access to decision-making and how the relationship between policy-makers and economic interests should be designed.

More concretely, I provide the following stylized hypotheses, which will be filled with empirical detail in case studies: Social democratic parties are most strongly in favor of statist solutions and public intervention in order to mitigate labor market inequalities. They are also supportive of cross-class compromise to a certain extent, because they soon learned that the long-term survival of the welfare state in a capitalist economy depended on the joint support of the working and the middle class. On the opposite end of the spectrum, we find secular conservative and liberal parties. On the one hand, these represent the interests of voters of upper income classes, but on the other, they also adopt a particular ideology with regard to the representation of business interests in policy-making: Instead of promoting cross-class compromise, conservative parties are more likely to privilege the interests of business, while shutting unions out of decision-making. Furthermore, aiming at maximizing the individual autonomy of businesses/employers, conservative partisan ideology prefers a voluntary approach to the collective organization of business interests, i.e. the state should not force employers to cooperate with each other and, as a consequence, refrain from delegating too much decision-making power to corporatist bodies.

Besides conservatives and social democrats, Christian democrats are the third party family, which has been in government in Western European countries for longer periods of time during the second half of the 20th century. In comparative welfare state research, the prevailing view is that Christian democrats in government do increase levels of social spending and thus are not opposed to the welfare state on principle as conservatives and liberals might be (Bradley et al. 2003; Esping-Andersen 1990; Van Kersbergen 1995; Wilensky 1981). But, in comparison to social democrats, they promote social policies that are less redistributive and more transfer- than service-oriented. Christian democratic party ideology can easily be misunderstood as a middle-class oriented blend between conservatism and social democracy. In contrast, Kees van Kersbergen (1995, 1999; Kalyvas and van Kersbergen 2010) convincingly argues that it should be regarded as an ideology distinct from both social democracy and conservatism. According to him, the crucial difference between Christian democrats and other parties is a particular approach to the political process, which he calls the “politics

of mediation” (Van Kersbergen 1999: 356). As Christian democratic parties mobilize – at least in the beginning – on the religious rather than the economic cleavage, they need to establish procedures of interest mediation between different economic and social interests *within* their party organizations. This resulted in the promotion of interest mediation and “[c]ross-class coalitions” (ibid.: 356) as a general principle of policy-making. A second important principle of Christian democratic ideology is that of “subsidiarity”, i.e. the delegation of decision-making powers to autonomous civil society associations to the largest extent possible (ibid.: 353). Thus, Christian democratic party ideology is closely related to corporatist forms of decision-making (Wilensky 1981).

At this point and before we proceed, a note on different types of corporatism is in order. Initially, corporatism (at that time called liberal or neo-corporatism to distinguish it from authoritarian corporatism) was defined as “a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports” (Schmitter 1979: 13). Lehmbruch added the observation that corporatism was not only a particular type of institutionalized interest representation, but that it should also refer to the inclusion of associations (organized interests) in the process of governmental decision-making (Lehmbruch 1979: 150) as well as the delegation of quasi-public obligations to “private interest governments” (Streeck and Schmitter 1985) of associations. A crucial distinction runs between meso-level and macro-level corporatism. In meso-level corporatism, coordination between economic interests takes place at the intermediate level of the industry sector with the peak organizations taking a coordinating role. In macro-corporatism, the peak associations of business and labor are much more influential and take charge of wage-bargaining for the whole economy.

The crucial point here is that politics and partisan actors can and do try to influence the particular guise of the industrial relations system. Crouch (1993: 44), for example, identifies differences in corporatist institutions with regard to the strength of labor. In a similar vein, Rothstein (1987) argues that strong macro-corporatism should be regarded as a social democratic attempt to institutionalize the class conflict. In recent work, Martin and Swank (2011: 80) posit that the step from meso- to macro-level corporatism cannot be understood without taking into account political-partisan

mobilization from above. In their view, economic structures and pre-industrial forms of proto-corporatism may explain the establishment of corporatist institutions on the meso level, but the establishment of strong national peak associations requires deliberate political intervention. In sum, we expect to observe different manifestations of corporatism in coordinated market economies and the specific characteristics of these institutional arrangements are likely to reflect the long-term balance of power between partisan forces in the political arena.

Now, how do all the pieces laid out before fit together? As a reminder, the central question is how different kinds of coordination and differences in the long-term balance of power between partisan forces interact to produce different kinds of politico-economic coalitions, which in turn affect the future development of education and training systems as well as in the long term the distribution of skills and income on the labor market. The starting point of our historical analysis is the postwar period. As stated above, Western European education systems were strikingly similar in terms of institutions and enrolment patterns at that point in time. The ensuing mega-trend of educational expansion in the post-secondary sector, however, played out very differently in different contexts. As the case studies will show in greater detail, 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 and Nikolai 2010).

First, there is the social democratic model of a *statist skill formation regime*. Sweden will be studied more closely in the following chapter 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 conflicts 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. 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 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, was similarly 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. In the early 1970s, the next step in this process was taken by fully integrating vocational education and training into the general secondary education system (Lundahl 1997). This reform is crucial in 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 WWII (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 WWII 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. Again, it is the interaction of socio-economic institutions and partisan politics that matters: Socio-economic institutions do not completely determine actors' strategies and choice. Partisan politics and policies can tip the balance in favor of particular institutional outcomes during critical junctures of path development and thus 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 *both* employers and the state are 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.

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 places 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 social democracy and liberalism/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.

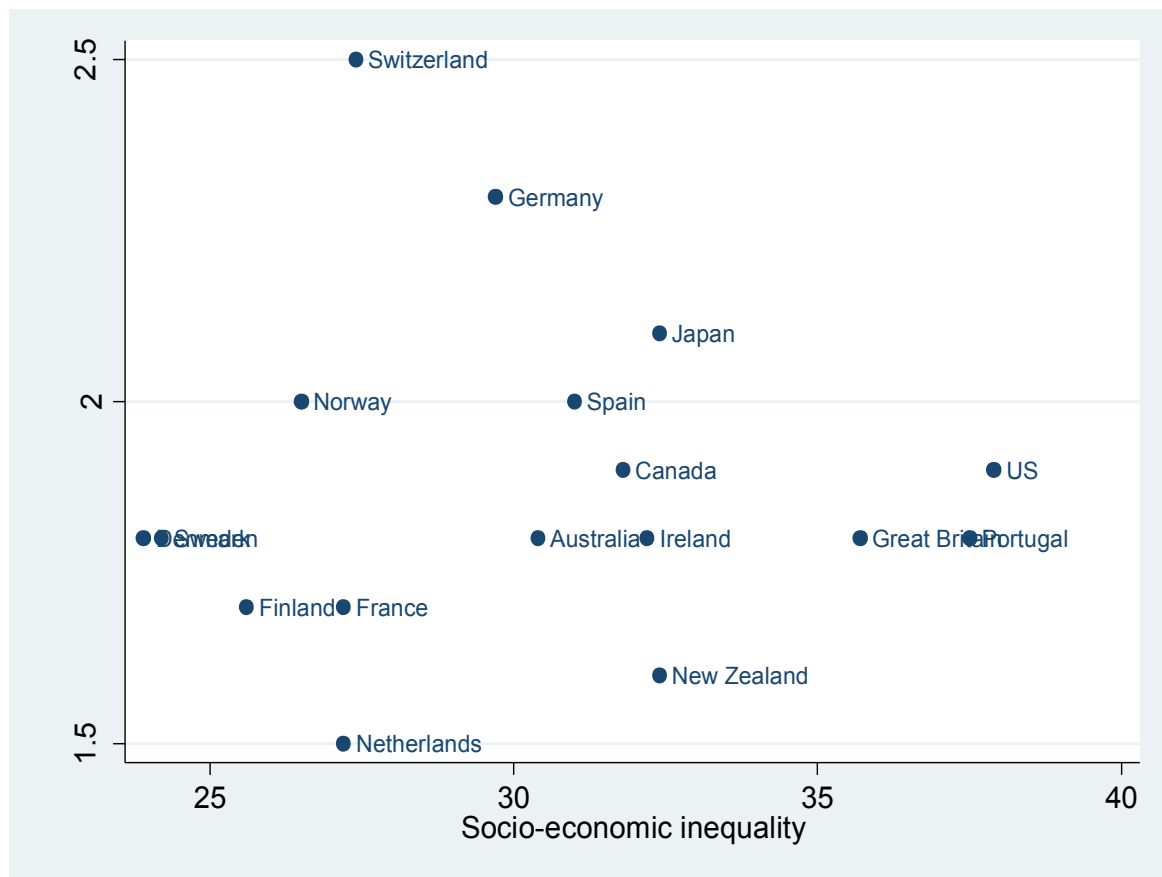
In Germany, Christian democrats were the dominant political force in government from 1949 until the advent of the Brandt government in 1969. In the 1970s, they maintained a strong influence on the policies of the federal government because of their majority in the *Bundesrat*. The 1950s were a period of intense industrial conflict. As a remedy to class conflict, Christian democrats promoted the expansion of the welfare state, e.g. in the case of the generous 1957 pension reform. 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.

Educational institutions and socio-economic outcomes

The previous section identified political coalitions as one important mechanism linking education policies and the welfare state. But are educational institutions 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. Figure 1 is a bivariate scatterplot of a measure of educational inequality on the y axis and measure of socio-economic inequality on the x axis. The measure of educational inequality is taken from the OECD Education at a Glance series and captures the difference in expectations of completing higher education between a youth with a strong and with a weak socio-economic background. This index thus captures at least in part the effects of different educational institutions (expectations of completing higher education will be lower when levels of enrolment in higher enrolment are lower). The measure of socio-economic inequality is simply the Gini index (Solt 2009) that captures inequalities in the distribution of wealth across households. The crucial take-away from this figure is that there is essentially *no* association between educational inequality and socio-economic inequality. In some countries, most prominently the United States, high levels of socio-economic inequality 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. 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 low. Finally, Germany as well as Switzerland have exceptionally high levels of educational inequality, which is regularly confirmed in the OECD Pisa studies as well. Family background has a strong impact on educational performance 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.

Figure 1: The association between educational and socio-economic inequality, ca. 2005.



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. As we saw in figure 1, this can lead to wrong or at least incomplete conclusions.

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. The variable used in both Bradley et al. (2003) and Lupu/Pontusson (2011) captures the overall share of students in VET, which combines school-based and workplace-based training. More recently, 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* 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 Denmark!) leads to high levels of youth unemployment in these countries, which need to be addressed via strong active labor market policies.

[Note: The findings are still preliminary and need to be confirmed.]

Timing, policy feedback and the politics of institutional change on the micro level

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. It is important to consider this additional linkage in order to fully understand the development of path dependencies over time. The notion of policy feedback is well-known from theories of path dependency. Once a particular development path is chosen, there are strong forces that “lock in” this path by forces of positive feedback. With regard to welfare state policies, the establishment of new social policy programs, for example, creates new groups of beneficiaries that develop a strong interest in maintaining these programs (Pierson 1994: 40-42). Changes in the governance structure of welfare state programs may bring in new groups of actors that change the political process of decision-making, e.g. private insurance companies in the case of American health care (Hacker 2004).

Another important insight from this literature is that timing and sequencing of events matters enormously. As Pierson (2004: 19) argues “it is not just a question of what happens, but of when it happens”. Events that happened at the beginning of a development path have a stronger impact on the direction of the path, because lock-in effects are not yet as pronounced as in later stages of institutional development. This is why events in the initial phase of expansion of post-secondary education in the post-war decades are hypothesized to be of greater relevance with regard to explaining the variety of contemporary education systems than later events. Here, it is also important to reiterate the claim that the development of education systems was not yet locked in by events in the early industrialization phase, because institutional development in post-secondary education took off after WWII in most countries.

The crucial variable here is whether vocational training as an alternative to academic higher education “survived” and which particular type of VET dominated. Above, I presented hypotheses on factors explaining institutional choices. Here, I am concerned with the consequences of institutional choices and their feedback effects with regard to the politics of institutional change, in particular citizens’ attitudes and preferences. In his work on welfare state retrenchment, Pierson emphasized the role of welfare state clientel groups as a powerful political force against welfare state retrenchment (Pierson 1994: 180-181). More recent work on policy feedback, however, is more concerned with the impact of welfare state institutions on the micro level of citizens’ attitudes and preferences rather than organized interests. 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 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 relevant question for the purpose of this book is whether we can identify a link between education and welfare state policies via the micro level of individual policy preferences. Thus, the specific institutional set-up of the education system could influence the expectations and demands of citizens vis-à-vis the welfare state. As I will show below, a large share of private financing in education is related to a lower willingness to support redistribution on the micro level. Vice versa, one could also expect welfare state institutions to shape the attitudes and preferences of citizens towards the education system. Busemeyer (2012) shows that high levels of inequality (related to different kinds of welfare states) promote the support for higher levels of public investment in education on the micro level.

Conclusion

This book tries to promote the reintegration of the study of education into the mainstream of comparative welfare state research. I point out that there are multiple linkages between education and the welfare state. Although Wilensky's claim about the special status of education in comparison to other social policies is partly justified, the institutional set-up of the education is still deeply intertwined with the historical development of different worlds of welfare capitalism. I identify three crucial linkages: politics, outcomes and individual preferences, which will be explored in detail in the following chapters. The next chapter engages in three case studies of Sweden, the United Kingdom (England) and Germany as typical cases of the different worlds of human capital formation. The case studies are followed by a large-N comparison of education policies in OECD countries. Here, I will show that we can indeed identify a limited number of clusters of countries. I will also engage in a quantitative analysis of the political and institutional determinants of education policies. The subsequent chapter

focuses on the impact of educational institutions on socio-economic inequality and labor market stratification, in particular youth unemployment. Finally, I explore the association between welfare state and educational institutions on the macro level and the level of individual preferences and attitudes on the micro level.

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