Public Opinion towards Policy Trade-offs: Investigating Attitudes on Social Investment and Compensatory Welfare Policies with a New Comparative Survey

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Abstract:
Studying individual attitudes and public opinion on the welfare state has become a major field of research in recent years, but there is a significant research gap. Given the limitations of existing comparative surveys of public opinion, there is very little research on how citizens perceive and react to policy trade-offs, i.e. how they respond when forced to prioritize between different types of social policies. This paper presents original and new data from a comparative survey of public opinion in eight Western European countries. In a split-sample design, citizens were asked whether they would be willing to increase public spending on education or families with young children, even if that implied cutbacks in pensions and unemployment benefits. The central findings are that citizens generally dislike being forced to cut back one type of social spending in order to expand another, but there is a significant degree of variation both across individuals as well as across welfare state regimes. Material self-interest as well as norms and values can help to understand differences in the acceptance of trade-offs. The analysis also confirms a central argument of the literature on "deservingness" (Van Oorschot 2006): Cutting back benefits for the unemployed as the less deserving group of welfare state recipients tends to be more accepted than cutting back pensions. Furthermore, we find that citizens in liberal welfare state regimes and to a certain extent conservative welfare states are more willing to accept cutbacks in social transfers in order to expand social investments.

Keywords
Policy trade-offs, social investment, education policy, welfare state, attitudes, public opinion.

1. Introduction

Studying individual attitudes towards welfare states has become a growing and major field of research in recent years (Svallfors 2012: 8, further references below). Scholars have accumulated knowledge about the role of self-interest, norms and values as individual-level determinants as well as the impact of national contexts on attitudes. However, there is a significant research gap: Given the limitations of existing comparative public opinion surveys, there is very little research on how citizens perceive and react to policy trade-offs, i.e. how preferences change when respondents are forced to prioritize between different types of social policies. For instance, are individuals willing to cut unemployment benefits or old-age pensions in order to invest more in education or policies supporting families with young children? Do citizens' preferences depend on the policy-field at stake, i.e. are they more willing to accept cuts in unemployment benefits rather than in old-age pensions? Moreover, is there variation in how individuals respond to trade-offs, depending on their individual background? And how do these preferences differ across countries, particularly welfare state regimes?

This article develops a theoretical framework and provides empirical answers to these and related questions. We use original data from a new representative survey of public opinion in eight European countries that compensates for the lack of questions on these issues in existing comparative social surveys (e.g., ESS, ISSP). We connect our theory and analysis to the recent debate about the rise of the "social investment state" (Bonoli 2013; Hemerijck 2013; Morel et al. 2012) as a new paradigm in comparative welfare state research. Thus, our findings have both important implications for the study of welfare state transformations from an academic as well as from a societal perspective.

In particular, a first, somewhat sobering finding is that popular support for social investment policies is limited, when citizens are confronted with the necessity to cut back other parts of the welfare state in exchange for expanding investment policies. However, we find a significant degree of variation both across individuals and across welfare regimes. Our analysis shows that material self-interest as well as norms and values can help to understand differences in how citizens respond to policy trade-offs. The analysis also confirms a central argument of the literature on "deservingness" (Van Oorschot 2006): Cutting back benefits for the unemployed, who can be regarded as the less deserving welfare recipient group, tends to be more accepted than cutting back pensions. Furthermore, we find that citizens in liberal welfare state regimes and to a certain extent conservative welfare states are more willing to accept cutbacks in social transfers in order to expand social investments. Next, we present a short literature review, followed by the presentation of the theoretical framework and the empirical analysis.

2. Literature review

The analysis of welfare state attitudes has become a growing field of research with comparative welfare state studies (cf. Kumlin/Stadelmann-Steffen 2014; Svallfors 2012 for recent overviews). One reason for this upsurge is simply that new comparative survey data such as the European Social Survey (ESS) or the International Social Survey Programme (ISSP) have become available, allowing to draw comparisons across an increasingly large set of countries. More substantively, the study of attitudes is relevant from a policy-making perspective, since public opinion may have a strong conditioning

effect on policy-makers' room of manoeuver (Brooks/Manza 2006, 2007; Rehm 2011; Svallfors 2012: 2).

Simplifying greatly, the pertinent literature can be divided into three different categories: First, in line with the rational choice paradigm, materialistic self-interest has consistently been shown to shape preferences: People tend to support those welfare services and benefits from which they or their close relatives (expect to) benefit. Those not benefitting and those paying for these benefits, in turn, tend to be opposed. The literature discusses several indicators of self-interest, for example individuals' income positions and educational backgrounds, labor market risks and skill sets, age, or simply belonging to particular welfare state beneficiary groups (Busemeyer et al. 2009; Cusack et al. 2006; Iversen/Soskice 2001; Meltzer/Richard 1981; Rehm 2009; Rehm et al. 2012).

Besides material self-interest, secondly, values, norms, and ideological predispositions have been found to influence welfare state attitudes (e.g., Fong 2001; Kangas 1997; Lupu/Pontusson 2011). First, a broad literature (for many: Margalit 2013) has found that people's ideological position is strongly related to their social policy preferences. What is more, ideological predisposition can interact with indicators of material self-interest: Based on evidence from the United States, Margalit (2013) shows that right-leaning individuals (Republicans) are more skeptical of the welfare state in general, but tend to become more supportive in the short-term, if they are themselves affected by deteriorating economic circumstances (ibid.: 81). Second, some argue that other-oriented attitudes matter for redistribution preferences, i.e. people are not only self-oriented but also altruistic (Lupu/Pontusson 2011). Third, a growing literature studies

the association between religiosity and support for the welfare state, finding that more religious people tend to be more skeptical of welfare state services and benefits (De La O/Rodden 2008; Scheve/Stasavage 2006). Lastly, Van Oorschot (2006) has found that people's social policy preferences are affected by their understanding of "deservingness", i.e. how worthy of support they perceive particular beneficiaries to be.

Finally, welfare state attitudes might also be influenced by institutional contexts. A prominent topic in this literature is the question whether preferences correspond to existing welfare state regimes (Andreß/Heien 2001; Blekesaune/Quadagno 2003; Jaeger 2006, 2009; Svallfors 1997, 2004, 2012). In the first wave of scholarship of this kind, the expectation was that public opinion would be congruent with prevailing institutions and policies. Thus, it was expected that public support for the welfare state would be highest in the universalist Scandinavian welfare states and lowest in the liberal Anglo-Saxon countries with Continental Europe falling in between. The empirical evidence, however, is much more mixed (Jaeger 2009; Svallfors 2012), indicating a complex pattern of positive and negative policy feedback effects (Fernández/Jaime-Castillo 2012; Pierson 1993; Weaver 2010). That is, the public might demand "more of the same" in some cases and a change in the status quo in others (see Soroka/Wlezien 2010).

A major research gap in the existing literature on welfare state attitudes is that there is very little work on the issue of trade-offs between different welfare policies, particularly regarding 'old' compensatory versus 'new' social investment policies.[i] Studying trade-offs on the level of individual policy preferences has very relevant implications for policy-making. In times of "permanent austerity" (Pierson 2001) and in particular in the

wake of the global economic and fiscal crisis, policy-makers often face difficult decisions when being confronted with new demands on the welfare states related to the emergence of "new social risks" (Bonoli 2007; Esping-Andersen 1999, 2002) on the one hand and with shrinking fiscal leeway for public and social investments on the other (Breunig/Busemeyer 2012; Streeck/Mertens 2011). Despite these constraints, scholars have noted an incremental transformation of some European welfare states from the passive, transfer-oriented models towards the more activist social investment model (Bonoli 2013; Hemerijck 2013; Morel et al. 2012; Vandenbroucke/Vleminckx 2011). So far, however, these analyses have mostly been confined to the macro level of policy-making (but see Schwander et al. 2015).

In this article, we attempt to fill this gap by analyzing citizens' preferences when confronted with different kinds of policy trade-offs. What do citizens think about trading compensatory social policies for future-oriented social investment policies? What are individual-level determinants of the respective preferences? And how are individual preferences shaped by institutional contexts, i.e. welfare state regimes?

3. Individual preferences on social policy trade-offs and their determinants

In order to address these questions, we now develop a theoretical framework with testable hypotheses. Our conception of a "trade-off" on the level of individual preferences centers on the idea that citizens are forced to make a choice between two different competing policies: expanding one of these policies necessarily implies cutting back the other. In this paper, we rely on original data from our survey that forces respondents to choose between the expansion of social investment policies (education

and family policies) to the detriment of social insurance and transfer policies (unemployment benefits and pensions). This juxtaposition is meant to mirror the real-world challenges in the transformation of existing welfare states towards the social investment model. Of course, real world policy-makers might have some leeway in avoiding policy trade-offs, e.g. by increasing levels of taxation or public debt (which, however, also implies trade-offs, cf. AUTHORS). Nevertheless, the real world of policy-making more and more resembles our simulated environment, since fiscal constraints are increasingly binding.[ii]

In general, we expect citizens – just like politicians – to dislike being confronted with trade-offs. In fact, citizens might be even more inclined to do so, since in contrast to policy-makers, they don't have the responsibility to decide and implement actual policies. Studying the implications of enforcing policy trade-offs and choices on popular support for particular policies needs to start from a high "baseline", i.e. a policy that is in general very popular. The case of education in particular (and social investments more generally) is such an example. Previous research has shown that in basically every OECD country a sizable majority of the population favors increases in public education spending (Ansell 2010; Busemeyer et al. 2009; Garritzmann 2015). However, we expect public support for increasing educational and other social investments to drop significantly when this would imply cutting back compensatory social policies.

Against this background, we also expect to find variation in attitudes across individuals and countries. Due to the absence of literature on individuals' preferences on policy trade-offs, we develop a theoretical framework that is to certain degree explorative. We can, however, rely on the large literature on individual social policy preferences outlined

in Section 2. As is customary there, we derive hypotheses from three sets of potential explanations: material self-interest, attitudes and values, and institutional contexts.

Material self-interest

To begin with, we expect that when being confronted with policy trade-offs, people seek to increase their personal benefits, while decreasing costs for themselves. Accordingly, we expect that *beneficiary groups* matter:

> **H1**: People support those benefits that they themselves (are likely to) receive. In turn, people are willing to cut benefits from which they do not benefit themselves, in order to increase their own pay-off.

To provide some concrete examples and testable implications of this hypothesis, this implies, for instance, that pupils and students support increases in education spending and are willing to cut compensatory spending to achieve this. Parents (of young children) support increases in public spending on families, whereas the unemployed oppose more speding on social investments when this implies cutting back unemployment benefits. Finally, pensioners oppose increases in social investment when this would go along with cutbacks in old-age pensions.

A second factor that will considerably affect people's preferences is their *household income* as an indicator of their socio-economic position. We expect more wealthy respondents to favor expanding social investments to the detriment of compensatory policies. This is because social investments, e.g. education and childcare services, are less redistributive, more likely to benefit higher strata (since access to some forms of education is stratified by parental background) and therefore more popular among the (upper) middle classes compared to traditional social transfers (Ansell 2010; Busemeyer 2015; Ghysels/Van Lancker 2011). This holds in particular for

unemployment benefits rather than pensions, since pensions also have an important insurance function and are therefore more attractive for the middle class (Moene/Wallerstein 2003), whereas richer individuals are less likely to benefit from unemployment benefits. We expect:

> **H2**: The higher one's income, the more like the respondent is to state support for social investments even if this implies cutting back compensatory policies.

A final self-interest related factor is people's *education*. More educated individuals will be more supportive of social investment, particularly in the form of education, and more willing to cut compensatory policies (cf. Busemeyer 2012 for a similar finding). This is because when confronted with trade-offs, the highly educated are likely to perceive the importance of education to be higher, either because they have personally experienced the beneficial effects of education or because they are aware of the arguably positive effects of human capital investments on countries' economic and social well-being. Low-educated individuals are hypothesized to be more opposed to cutbacks in traditional social transfer programs, particularly unemployment benefits, since they face a higher unemployment risk.

> **H3:** The higher a person's educational degree, the higher his/her support for social investment vis-à-vis compensatory social policies.

Norms and values

A second set of hypotheses concerns the impact of norms and values. A general problem in the study of the effects of norms and values on attitudes is of course endogeneity. In simple words, when assessing, for example, the impact of left-right ideology on support for the welfare state it is difficult to disentangle the direction of causality. Therefore, in general, including attitudinal variables as independent variables in regressions on (welfare state) attitudes is problematic. Hence, statistical associations should be

interpreted as correlational relations rather than causal statements. In our particular case, however, this problem may be less severe, because by forcing respondents to make a choice we confront them with situations outside of their everyday experiences. Therefore, one might assume that long-term ideological predispositions should affect responses to the trade-off questions, whereas the latter should not have a (strong) causal effect on the former. This might mitigate endogeneity problems to a certain extent.

In any case, since the dependent variable concerns trade-offs, the hypotheses related to norms and values are less straightforward than could be assumed. For instance, people who support (oppose) social spending in general are likely to support (oppose) both compensatory *and* social investment spending. While this relationship seems rather trivial, it is difficult to deduce what this would imply for people's preferences on policy trade-offs, as both supporters and opponents of social spending might oppose trade-offs between compensatory and social investment policies (but for different reasons). The same holds for individuals' general attitudes towards redistribution and for their ideological predisposition, since both of these are correlated with support for social spending.

We expect a negative association between generic support for social spending, support for redistribution and left-wing ideology, on the one hand, and the individuals' willingness to support social investments to the detriment of consumptive social policies on the other. This is because the social investment policies we focus on in this paper (education and policies for young families such as childcare) are less redistributive than classical social transfer programs, particularly unemployment insurance schemes.

Therefore, individuals supporting "the welfare state" should be more critical of expanding the former while cutting back the latter.

> **H4**: People who favor (dislike) public social spending oppose (favor) trade-offs, as they support (oppose) compensatory *and* social investment spending.
> **H5**: Leftwing (rightwing) respondents oppose (support) trade-offs as they would like both spending areas to be increased (decreased).
> **H6**: People who favor (dislike) redistribution will oppose (favor) trade-offs, because they support (oppose) both compensatory *and* social investment spending.

Furthermore, we expect that people's preferences on compensatory versus social investment policies are connected to their *willingness to pay additional taxes* to fund increases in social investments. People, who are willing to pay such taxes, are much more committed to social investment than people who simply state general support for social spending in general without being willing to contribute more themselves. Thus, we expect:

> **H7**: People who are willing to pay additional "social investment taxes" strongly support social investment spending and are willing to cut compensatory spending to increase social investments.

Finally, we draw back on Van Oorschot's (2006) and others' studies on "deservingness" and expect that the four different beneficiary groups we focus on (pupils/students, parents/young children, unemployed, retired persons) are perceived as worthy of spending to different degrees. Following Van Oorschot, we expect that elderly people will be perceived as most deserving, followed by pupils/students and parents with young children. Unemployed persons are likely to be perceived as least deserving. Consequently, we can deduce the following expectation[iii]:

> **H8**: On average, people will most of all oppose cuts in old-age pensions. They will be more willing to cut spending on unemployment benefits. There will be no significant difference between support for spending on either education or families with young children.

Welfare state regime effects

Besides micro-level factors, we expect that the institutional characteristics of welfare state regimes will affect individual preferences towards social investment and compensatory social policies. Our initial expectation is that public attitudes will be congruent with existing welfare state regimes, either because these regimes have shaped preferences and expectations via "policy feedback" effects (Pierson 1993) and/or welfare state regimes themselves are influenced by the prevailing patters of public opinion (Brooks/Manza 2006, 2007; Rehm 2011). A contrasting perspective is provided by the literature on "negative" feedback effects (Weaver 2010; Soroka/Wlezien 2010; Jacobs/Weaver 2014). From this perspective, public opinion can turn away from the current status quo, demanding change, in particular if the prevailing institutional set-up produces negative side effects.

Accordingly, we expect that people in *Nordic welfare states*, which are characterized by high degrees of decommodification, generous compensatory *and* social investment spending, as well as a large degree of redistribution (Esping-Andersen 1990), will not be willing to trade either policy for the other. In this regime, compensatory and social investment policies are regarded as complementary elements in a universal catalogue of social citizenship rights (Allmendinger/Leibfried 2003; Busemeyer/Nikolai 2010). In *liberal welfare states*, in contrast, people might support social investment policies (particularly education) even if this implies cutting back compensatory spending, because liberal welfare states are characterized by a focus on individual responsibility, equality of opportunity, a limited degree of public engagement in the provision and financing of services, and less redistribution. Thus, social investments will be perceived as more important, relevant, and just than compensatory policies. People in *conservative and Southern European welfare states*[iv], finally, are likely to express the opposite

preference from citizens of liberal welfare states: We don't expect them to be willing to cut compensatory spending, particularly old-age pensions, in order to increase social investment. This is because in conservative and Southern European welfare states, pensions (and other social policies) are usually contribution-based, which increases the support for existing pension schemes among the politically influential middle classes. Moreover, as these welfare states are historically constructed around the male-breadwinner model, citizens here might be more opposed to public financial support of families, since they might believe family-care to be the traditional domain and responsibility of females. In sum, we expect:

> **H9a**: Respondents from Nordic welfare states are more likely to oppose trade-offs, as they regard social investment and compensatory spending as complements.
> **H9b**: Respondents from liberal welfare states are more likely to accept cutbacks in compensatory social policies, particularly unemployment benefits, in order to increase social investment, particularly in the form of education.
> **H9c**: Respondents from conservative and Southern European welfare states are less likely to accept cuts in compensatory social policies, particularly pensions, in order to increase social investment.

4. Data and methods

As our literature review made clear, our knowledge on individual-level preferences towards trade-offs between 'old' and 'new' social policies is still very crude. This is at least partly due to the lack of comparative survey data on social investment policy preferences. Existing comparative surveys like the ISSP, the ESS, or the Eurobarometer hardly include questions on social investment policies and if they do so, the questions remain on a very general level (e.g., "Should the government spend more on education?"). Furthermore, and more importantly, none of these surveys includes any trade-off questions, which would enable us to analyze respondents' preferences for 'new' versus 'old' welfare.

Thus, we conducted an original survey in eight European countries in 2014 (AUTHORS 2014). We selected two countries from each "World of Welfare" (Esping-Andersen 1990; Ferragina/Seeleib-Kaiser 2011) in order to be able to analyze people's preferences across different settings: Sweden and Denmark were chosen as representatives of Scandinavian welfare states, Germany and France for the conservative world, Italy and Spain as Southern European 'residual' welfare states, and the UK and Ireland as the closest examples of liberal welfare states in Europe. Unfortunately, due to funding constraints, no Eastern or non-European countries could be included. Hence, the scope of argument and empirical analysis is restricted to Western Europe, but covers a wide variety of countries here.

In each of the eight countries, we surveyed a representative sample of 1,000 to 1,500 adult individuals (aged 18-99). Overall, 8,905 individuals participated. The survey was conducted by a professional survey-institute via computer-assisted telephone interviewing (CATI) (see the background report: AUTHORS 2014). Following pre-tests in February 2014, the main fieldwork was conducted between mid-April and early June 2014. At this time some countries were still suffering from the economic and fiscal crisis, which might affect the responses to a certain extent. Unfortunately, there is little one can do about that, but it needs to be kept in mind when interpreting the results.

In order to test our theoretical expectations, we randomly split the sample in four different groups in each country and present respondents with one, and only one, of the following four statements (we added emphasis here to highlight the differences for the readers)[v]:

> Q51: "Imagine the [COUNTRY] government plans to increase spending on **education** by 10% and wants to finance this by cutting the benefits for the unemployed."
>
> Q52: "Imagine the [COUNTRY] government plans to increase spending on **education** by 10% and wants to finance this by cutting old age pensions."
>
> Q53: "Imagine the government plans to enact reforms involving a 10% increase in the budget for **financial support and public services for families with young children**; and wants to finance this by cutting the benefits for the unemployed."
>
> Q54: "Imagine the government plans to enact reforms involving a 10% increase in the budget for **financial support and public services for families with young children**; and wants to finance this by cutting old age pensions."

The statements confront respondents with four policy trade-offs: education and family support, on one hand, and unemployment benefits and pensions, on the other. We chose education and financial support and public services for families with young children as prime examples of social investment policies (Bonoli 2007; Esping-Andersen 2002; Hemerijk 2013). Benefits for the unemployed and old-age pensions, in contrast, are typical examples of compensatory social policies (Esping-Andersen 1990). We can thus not only analyze whether and why respondents prefer social investment or compensatory policies, but also differentiate further between two types of 'old' and 'new' welfare policies.

We specified a "10% increase" in the question framing for several reasons. First, this specification makes the policy options more concrete and tangible for respondents. Second, this concretization increases the probability that respondents think in roughly similar terms about the proposed policy change. Speaking only about spending increases without providing a measuring rod, one respondent might think of a 1% increase while others imagine a 20% change. We try to avoid this problem by presenting a hypothetical

reform proposal to the respondents that could be drafted and proposed by the government.[vi] Of course, the "10 percent" figure is arbitrary to some extent, but it signals a non-trivial policy shift.

For each of the four questions, the survey offered five answer categories: "strongly agree", "agree", "neither agree nor disagree", "disagree", "strongly disagree". Moreover, two residual categories were included: "Don't know" and "No answer". A disadvantage of this commonly used 5-point Likert-scale is that respondents might often chose the category "neither agree nor disagree", but for several reasons (Goerres/Prinzen 2012): They could either be satisfied with the status quo or they could disapprove of the trade-offs, preferring to increase social investment spending without cutting compensatory policies. Consequently, we focus on those respondents who state a clear preference towards agreement of the proposed trade-off scenario against all other respondents ("don´t know" and "no answer" are coded as missings). Accordingly, when using regressions to probe individual-level determinants, we dichotomized the five categories into two groups: respondents, who strongly agree or agree with the statement (coded as 1), and respondents, who (strongly) disagree or are undecided (coded as 0).[vii] Thus, our chosen statistical method are single-equation logit models.

5. Results

5.1 Descriptive statistics

First, we examine variation in public opinion across the four trade-offs. Figure 1 shows the share of respondents agreeing that social investments should be expanded to the

detriment of compensatory social policies. The first important finding is that, overall, the acceptance rates are very low. Across the four groups, only 17 percent of respondents would agree to a reform that increases spending on social investments at the expense of compensatory policies. A majority of respondents disagrees with each of the proposed policy changes. This finding is an impressive confirmation of the central argument in the "new politics of the welfare state" literature (Pierson 2001) about the difficult and unpopular choices that policy-makers are facing in times of permanent fiscal austerity.

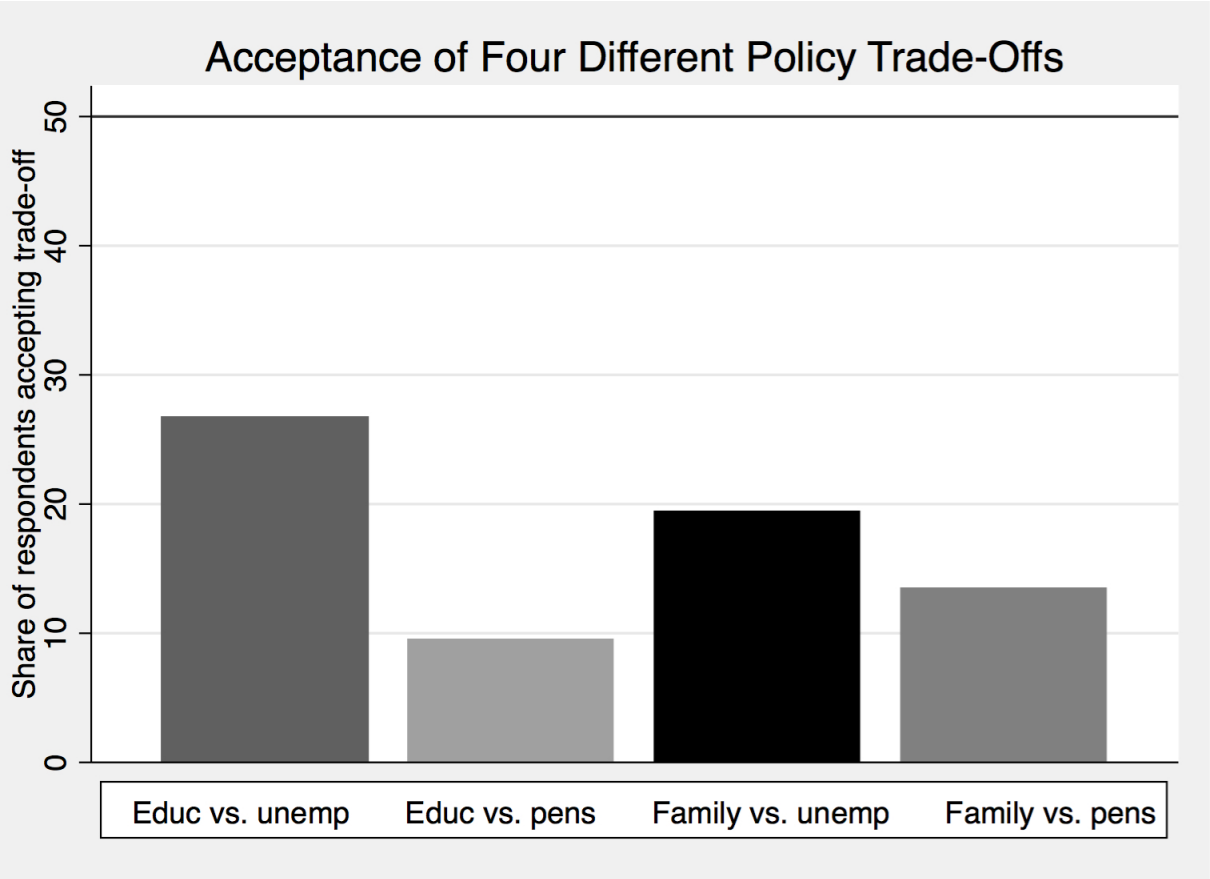
The new contribution of our paper is here to show empirically for the first time that this often voiced assumption about the unpopularity of welfare state retrenchment indeed has a solid empirical foundation. Furthermore, it implies that the impressive levels of public support for increasing spending on education and families that have been found in the literature (e.g., for education, Ansell 2010; Busemeyer 2012; Garritzmann 2015) shrink considerably once such spending increases would have to be achieved at the cost of existing social transfer programs. This finding is somewhat sobering for the proponents of the new paradigm of the social investment state (Bonoli 2013; Hemerijck 2013; Morel et al. 2012), since it implies that the political struggle to promote this new welfare state model might be associated with considerable conflicts about the redistribution of resources within and between different welfare state constituencies.

A closer look at Figure 1 reveals that, as hypothesized (Hypothesis 8), there are considerable differences across the four trade-offs: Respondents are much more willing to accept cutbacks in unemployment benefits than in pensions. Every fourth respondent is willing to cut unemployment benefits in order to increase education spending. But this share drops to 10 percent when pensions would be cut. In other words, the difference

between these two compensatory policies is 17 percentage points when the trade-off is about education and 6 percentage points when family spending is concerned. This is strong support for our expectation, derived from theories about deservingness (Van Oorschot 2006), that people will be more willing to cut unemployment generosity than pensions.

Comparing support between the two social investment policies, there is no clear pattern: More respondents are willing to increase education spending at the cost of unemployment insurance, but when spending increases would be financed from the pensions budget, family-related spending receives more support than education spending. In general, the trade-off effects are less pronounced in the case of investments on families with young children compared to the case of educational investment. This might be related to the fact that the use of the wording "families with young children" conjures up associations of clearly identifiable social groups that are in general deemed to be deserving of welfare state support. An alternative explanation might be that respondents perceive family policy as a broader field than education policy, i.e. family policies could also be regarded as a mixture of social investment and compensatory policies, whereas education policies are clearly social investments.

Figure 1: Share of respondents supporting increases in social investment spending at the expense of compensatory spending, pooled sample



5.2 What explains these patterns?

Self-interest

We now turn from descriptive statistics to the analysis of determinants of the respective preferences. In Table 1, we use the full, pooled data (disregarding country-differences for now) and estimate one logistic regression model for each trade-off.[viii] We include country dummies in order to correct for macro-level effects (to which we turn in the next subsection). As elaborated in the theoretical section, we first look at self-interest related determinants (Table 1) and add attitudinal variables to further explore respondents' motivations (Table 2).[ix]

Hypotheses 1 and 2 postulated that individuals' relative income position and their beneficiary status matter. Table 1 provides partial support for this claim: Compared to the middle income quintile, respondents in the highest quintile are the strongest supporters for each of the four trade-offs. But this effect is only significant for the education-unemployment trade-off (Model 1). Substantially speaking, high-income citizens are more willing to accept cutbacks in unemployment benefits than pensions, since their unemployment risk is lower. Furthermore, education spending is likely to be more financially regressive than spending on families, which could explain the difference between the effects found in models 1 and 3. In contrast to cuts in unemployment benefits, the rich are more skeptical of pension cuts, since they will at some point in the future also benefit from these social programs. The effect in Model 1 is substantial in size: Moving from the middle income category to the top quintile increases the likelihood of being willing to cut unemployment benefits to increase education spending by about 7 percentage points.[x] However, the effect of income is not linear. For example, the coefficient for the second quintile is also significant in Model 1. This underlines that the redistributional dynamics of the proposed trade-offs are complex.

Table 1: Logistic regressions: Support for social investment even when implying cuts in compensatory spending; maximum likelihood estimates

VARIABLES	M1 Education vs. Unemployment	M2 Education vs. Pensions	M3 Families vs. Unemployment	M4 Families vs. Pensions
No post-secondary education	0.000	-0.728***	0.060	0.260
(Ref: Higher Educ.)	(0.148)	(0.224)	(0.157)	(0.199)
Vocational education	-0.021	-0.447**	-0.194	0.130
	(0.146)	(0.211)	(0.160)	(0.201)
Household income (Q1)	0.080	0.000	-0.253	-0.106
(Ref: Middle quintile (Q3))	(0.190)	(0.262)	(0.203)	(0.238)
Q2	0.375**	-0.216	0.184	-0.193
	(0.179)	(0.257)	(0.180)	(0.233)
Q4	0.176	-0.103	0.071	-0.374
	(0.198)	(0.272)	(0.205)	(0.273)
Q5	0.422**	0.284	0.212	0.100
	(0.208)	(0.266)	(0.217)	(0.262)
Female	-0.203*	-0.561***	-0.267**	-0.495***
	(0.118)	(0.173)	(0.126)	(0.165)
Small child (< 10 years)	0.315*	0.602***	0.327*	0.271
	(0.169)	(0.228)	(0.170)	(0.223)
Older child (>= 10 years)	-0.060	0.099	-0.227	-0.182
	(0.158)	(0.230)	(0.174)	(0.220)
Current situation: unemployed	-0.145	-0.144	-0.376	-0.046
(ref: in paid work)	(0.289)	(0.466)	(0.314)	(0.379)
Studying	0.745***	1.136***	1.015***	0.416
	(0.269)	(0.411)	(0.314)	(0.397)
Retired	-0.471***	-0.145	-0.250	-0.410**
	(0.155)	(0.228)	(0.164)	(0.209)
Other	-0.203	0.393	-0.024	-0.070
	(0.172)	(0.245)	(0.183)	(0.243)
Country-dummies	Yes	Yes	Yes	Yes
Pseudo R2	0.063	0.061	0.062	0.031
Observations	1,992	1,926	1,970	1,934

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Regarding beneficiary groups we distinguish between those who can expect to benefit directly from additional social investments (students/pupils and parents with children) and those whose benefit programs would be cut in the respective trade-off scenario (unemployed and retired persons). Table 1 supports Hypothesis 1, showing that students are considerably more supportive of social investments compared to the reference group of paid workers. This effect is significant for models 1 to 3. The effects are largest for the education-pensions trade-off scenario. This is plausible since increased education investments provide immediate benefits to students, whereas young people might not see themselves as pensioners in the near future and might therefore care less about retirement spending. Again, the magnitude of the effect is considerable: Compared to those in paid work, the predicted probability to support educational investments despite pension cuts is 8 percentage points higher for students.

Moreover, having small children at home is a strong predictor of support for social investment (again confirming Hypothesis 1). The association between having small children and supporting social investment is statistically significant in all models (except mode 4), and in particular in the one modeling the trade-off between education spending and pension cuts. Having children above the age of 10, in contrast, does *not* affect preferences significantly. Apparently, individuals with young children at home are less concerned with their pensions, but more with those types of social policies with immediate short-term benefits. In terms of magnitude, the predicted probability change of supporting education vs. pensions is around four percentage points for parents of small children compared to childless respondents.

The unemployed and pensioners are, as expected, more opposed to sacrificing compensatory spending in order to increase social investments. The signs of the coefficients are negative throughout. However, the estimates are statistically significant only in the case of pensioners (models 1 and 4).[xi] There are no stark differences between the models, irrespective of whether unemployment or pensions benefits are at stake: The unemployed tend to oppose cutting pensions, and pensioners disagree with unemployment benefit cuts. This suggests that a broader cleavage exists between those supporting social investments in general and those opposing them (cf. Schwander et al. 2015).

In terms of effect sizes, we find the strongest opposition to trade-offs in the scenarios with unemployment benefits and family spending. Compared to those in paid work, the probability of supporting more spending on families and cutbacks on unemployment benefits decreases by 5 percentage points for unemployed persons. For pensioners, the strongest opposition can be found in the education vs. unemployment scenario. Here, pensioners have a 7 percentage points lower likelihood of accepting such a trade-off.

Gender could be another important factor: Women often benefit less than men from social insurance schemes built around the traditional male-breadwinner model but face particular challenges in combining work and family life (Esping-Andersen 1999). Thus, they could be expected to favor social investment. The results suggest, however, that this does not lead women to sacrifice classical compensatory spending. Men are much more prone to accept cuts in compensatory spending in order to increase social investments compared to women, and women in particular reject pensions-cuts. A possible explanation for this finding is that women tend to have stronger preferences for

redistribution (Alesina/Guiliano 2011). Consequently, they might simply reject the extreme presentation of trade-off scenarios in the survey and prefer higher levels of public spending on both policy areas instead. In any case, this relationship deserves more scholarly attention.

In a final step, we consider individuals' educational backgrounds (highest degree achieved). As theorized in Hypothesis 3, we expect that individual experiences of having benefitted from education are associated with higher levels of support for more education spending (cf. also Busemeyer et al. 2011; Garritzmann 2015). The evidence in Table 1 suggests, however, no effect of educational background on the trade-offs involving unemployment benefits. Potential effects of the socio-economic position appear to be picked up entirely by the income variable. For the trade-offs involving pensions, we find that the high-skilled prefer more spending on education (Model 2), which might reflect individual educational experiences. For family-related spending, the low-skilled are the strongest supporters (Model 4), although this association is not statistically significant. This might to some extent be due to the fact that this trade-off captures educational components as well as financial family support.

Norms and values

In the next step, we now explore how the second group of potential determinants, namely individuals' attitudes, shape the likelihood to accept trade-offs. As already indicated, people may support trade-offs either because they demand additional public social investments or because they dislike spending for social compensation, irrespective of their preferences for education or family spending. In contrast, people also may oppose trade-offs because they reject the view of the welfare state budget as

something that is fixed and would rather like to increase the total *size* of the welfare budget. Table 2 displays the estimated coefficients of the attitudinal variables. All models are estimated with the full list of individual control variables from Table 1. To facilitate readability only the coefficients of the additional attitudinal variables are shown. The coefficients of the control variables are largely robust to the inclusion of these additional variables (results available on request).

Table 2: Logistic regression estimates: Effects of attitudes on acceptance of trade-offs; maximum likelihood estimates

VARIABLES	Education vs. Unemployment	Education vs. Pensions	Families vs. Unemployment	Families vs. Pensions
Social spending preferences	-0.485***	-0.356***	-0.511***	-0.131
	(0.065)	(0.096)	(0.067)	(0.089)
Pseudo R2	0.089	0.075	0.092	0.034
Right-wing ideology	0.141***	0.051	0.122***	0.051
	(0.026)	(0.039)	(0.029)	(0.036)
Pseudo R2	0.074	0.064	0.074	0.034
Redistribution preferences	-0.224***	-0.030	-0.170***	0.058
	(0.051)	(0.075)	(0.054)	(0.075)
Pseudo R2	0.073	0.061	0.067	0.035
Preferences for education spending	0.108	0.271**		
	(0.084)	(0.128)		
Pseudo R2	0.065	0.067		
Preferences for childcare spending			-0.053	0.431***
			(0.080)	(0.110)
Pseudo R2			0.064	0.044
Willingness to pay: education	0.173	0.575***		
	(0.142)	(0.214)		
Pseudo R2	0.066	0.070		
Willingness to pay: childcare			0.073	0.907***
			(0.128)	(0.164)
Pseudo R2			0.063	0.055
Preferences for education spending	0.091	0.200		
	(0.086)	(0.131)		
Willingness to pay: education	0.146	0.576***		
	(0.143)	(0.218)		
Pseudo R2	0.067	0.075		
Preferences for childcare spending			-0.092	0.173
			(0.089)	(0.125)
Willingness to pay: childcare			0.139	0.779***
			(0.142)	(0.185)
Pseudo R2			0.064	0.056

Standard errors in parentheses; all models include the same independent variables as those models reported in Table 1.
*** p<0.01, ** p<0.05, * p<0.1

The overall finding that emerges is that, in line with Hypotheses 4-7, general welfare state preferences matter most for trade-offs related to unemployment insurance, whereas policy field-specific spending preferences are more important for accepting pensions-related trade-offs. This might be due to the fact that support for public pension spending is higher in general compared to unemployment benefits, which are more redistributive and therefore more contested along the income cleavage (Busemeyer et al. 2009). In sum, right-wing respondents, opponents of social spending, and opponents of redistribution are more likely to accept cutbacks in unemployment benefits, whereas left-leaning individuals and those who strongly support the welfare state as well as redistribution are more opposed. The effects amount up to 7.5 percentage points difference in the likelihood of accepting a trade-off when increasing preferences for social spending by one category (see Table D in the appendix for a full list of marginal effect estimates). The fact that ideology and attitudes towards the welfare state matter mostly when the trade-off involves unemployment benefits, but not when it is about pensions, indicates that the latter is a more consensual policy issue, related to the notion of deservingness (Hypothesis 8).

Interestingly, willingness to pay for education and families with young children is associated with support for social investment in the trade-off scenarios involving pension cuts, whereas it is not in the case of trade-offs related to unemployment spending (Hypothesis 7). The predicted increase in probability of accepting a pension-related trade-off ranges between 4 and 7 percentage points for those that are in favor of tax increases. This could indicate that conflicts involving unemployment benefits are related to redistributive conflicts between the rich and the poor, whereas distributional

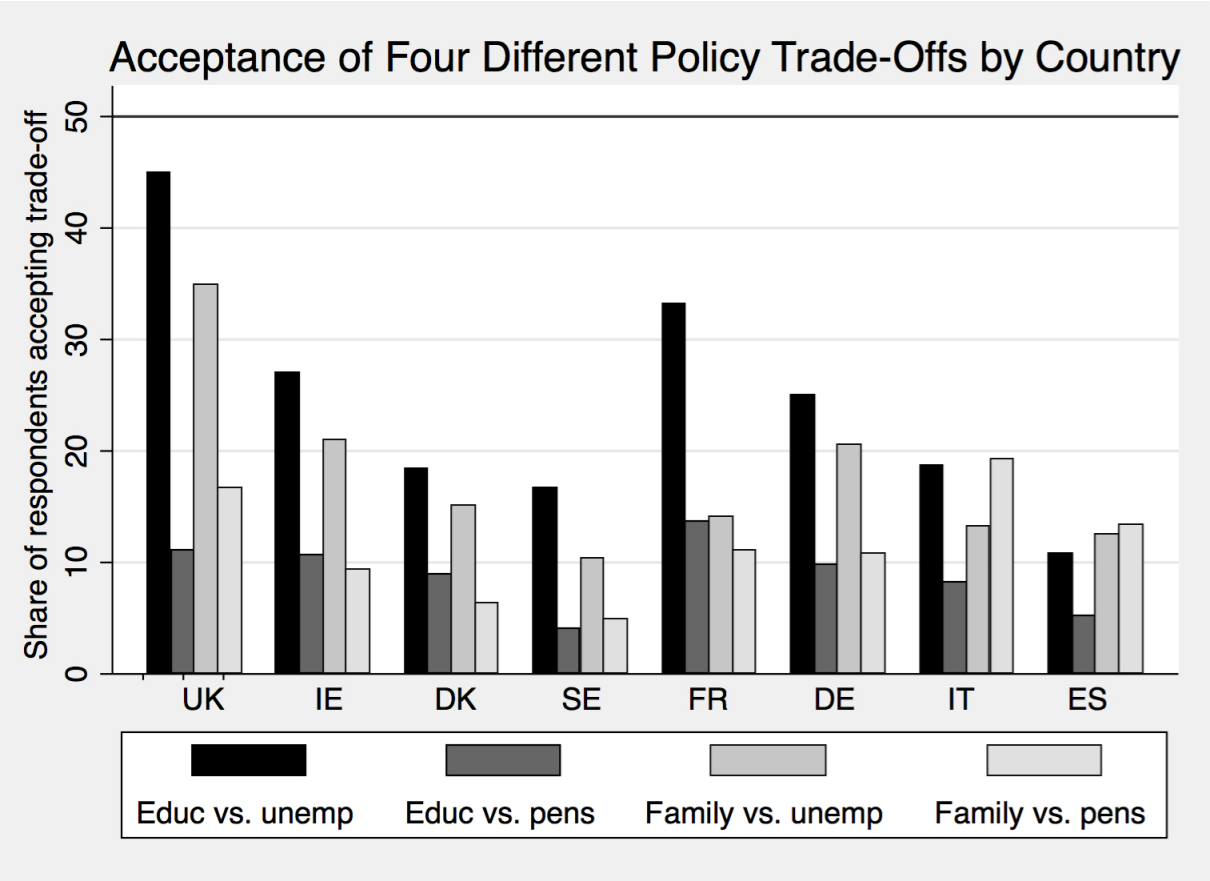
struggles involving pensions and education/families can be thought of as distributive conflicts within welfare state programs that generally benefit the middle classes.[xii]

The positive association between willingness to pay additional taxes and acceptance of trade-offs is furthermore relevant, as increasing taxes in principal provides a possibility to escape the budgetary trade-off between investment and compensatory policies. However, the results suggest that respondents who would support a tax increase are also open to accept the proposed policy trade-off. Thus, if tax increases are infeasible in the political process, those respondents might still accept cutbacks in compensatory policy fields as their second-order preference.

Institutions and contexts

In the final step of the analysis we now consider how people's attitudes vary across countries. Since our sample only includes eight countries we have to refrain from more sophisticated modeling techniques and base our evaluation on a simple, but telling comparison of country-level summary statistics. In the theoretical section we reasoned that aggregate levels of support for the different trade-offs are likely to correspond to welfare state regimes (Hypothesis 9). Figure 2 shows some regime-related patterns. Averaged across the four different groups, support for social investment at the expense of compensatory spending is the highest in the liberal regime (22 percent), followed by the Continental (17 percent), Southern European (13 percent), and finally the Scandinavian countries (11 percent). This pattern is roughly consistent across countries within regimes and across trade-off categories and it appears to reflect welfare-regime specific public attitudes and perceptions of social investment.

Figure 2: Share of respondents supporting spending increases in social investment even when implying cutting compensatory spending, by country



Support for redistribution and the welfare state in general is lower in liberal welfare states (Svallfors 1997; Jaeger 2009), and the notion of upward social mobility has a strong normative appeal, justifying the promotion of education as a functional substitute to social insurance and redistribution (e.g., Alesina/La Ferrara 2005). In line with this, our data shows that citizens in the liberal countries are much more willing to accept cutbacks in compensatory social spending in order to expand social investments (Hypothesis 9b). In fact, the UK is the only country in the sample where there is no absolute majority of respondents against the proposed reform of increasing education spending even if this implies cutting unemployment benefits. Average acceptance levels of British respondents for trade-offs related to pensions are less pronounced but still rank highest in the cross-country comparison. In Ireland, acceptance of trade-offs is

somewhat lower, but in particular with regard to the unemployment trade-offs, this country displays one of the highest levels of accepting cutbacks.

Support for social investment despite cutbacks in transfers is also quite strong in the conservative welfare states of Germany and France. This is surprising, but could be related to the fact that these countries are undergoing a process of catching up with the Scandinavian social investment model (Hemerijck 2013; Morgan 2012). Our data shows that this catch-up is at least partly based on popular preferences supporting the turn towards the social investment model.

In contrast, support for social investment is much lower in the Southern European welfare states. This might be because "positive" feedback and path dependency effects have contributed to the entrenchment of a familialistic and transfer-heavy welfare state model in these countries (Glassmann 2014), lacking the critical mass of public support for the transformation towards the social investment state. However, the "families vs. pensions" trade-off shows an interesting pattern in the cases of Italy and Spain. Besides the UK, these two Southern European countries show the highest degree of acceptance of increasing benefits and services to families with small children at the expense of pensions. On average 16 percent of the respondents in the Southern European countries agree with this trade-off compared to an average of 10 percent in the remaining six countries.

Finally, respondents in the Scandinavian welfare states are particularly critical of expanding social investments to the detriment of social transfers. This is most probably related to the fact that these welfare states are already very much oriented towards the

provision of social investments, so that there is less public demand for further moves in this direction and due to the fact that Scandinavians do not want to trade one social policy for another – they perceive compensation and social investment as complements.

6. Conclusion

This paper contributes to recent debates about welfare state reform in 'hard times'. In the age of permanent austerity, policy-makers are confronted with difficult political and fiscal trade-offs. Attempts to expand the social investment pillar in order to meet new demands for welfare state policies in fields such as family policy and education often entail cutbacks in other parts of the welfare state, since increasing levels of taxation or public debt is often argued to be no longer feasible. Whereas previous research on this topic has mostly focused on the macro level, our paper aims at filling an important research gap by providing an analysis of how individual citizens perceive these trade-offs. Understanding the micro logic of the political debate about social investment is hugely important in order to account for shifting support coalitions of existing welfare state regimes and assess the political viability of the social investment model as a new policy paradigm.

The innovative contribution of this paper is to present new empirical data collected in a self-administered survey of public opinion on the study of policy trade-offs on the micro-level of individual preferences and attitudes. This is important, because it shows that some of the assumptions that are often taken for granted in the literature on the "new politics of the welfare state" (Pierson 2001) are valued, while others need to be updated. For instance, it is true that cutbacks in social transfers are not very popular, but there is a huge degree of variation in the individuals' willingness to accept cutbacks in

existing welfare state programs if other parts of the welfare state are expanded in return. This also implies that the feasibility of policy reforms might depend on how policy-makers bundle reforms together and how they frame the debate.

The political feasibility of social investment reforms is a critical issue for proponents of the social investment model of the welfare state (Bonoli 2013; Hemerijck 2013; Morel et al. 2012). Our analysis has shown that social investments are popular to some extent, but this popular support has limits. For example, citizens are more willing to accept cutbacks in unemployment benefits rather than pensions in order to finance additional social investments in education and family policies. Not surprisingly, we also find that those who benefit from social investment spending, i.e. students and parents with small children, are more willing to accept cutbacks in pensions and unemployment benefits, whereas the potential losers of this deal, i.e. unemployed and retired persons, are opposed. Finally, we find some correspondence between patterns of individual-level support for social investments and welfare state regimes. In the liberal regime, for instance, respondents are more willing to accept cutbacks in social transfers in order to finance social investments, whereas they are more reluctant to do so in the Scandinavian countries. In general, we find some indicative evidence that the political conflict between supporters of the social investment model on the one hand and defenders of the traditional social insurance model on the other is indeed present at the level of individual attitudes (see also Schwander et al. 2015).

Online Appendix

Table A: Summary statistics of the attitudinal variables

Variable	**Obs**	**Mean**	**Std.**	**Min**	**Max**	**Correlation with the dependent variables**			
						Education vs. Unemployment	Education vs. Pensions	Families vs. Unemployment	Families vs. Pensions
Social spending preferences	8560	3.38	0.96	1	5	-0.21	-0.09	-0.16	-0.03
Right-wing ideology	8152	4.82	2.33	0	10	0.12	0.03	0.08	0.03
Redistribution preferences	8752	3.80	1.13	1	5	-0.11	-0.02	-0.06	0.02
Preferences for education spending	8833	3.90	0.71	1	5	-0.01	0.05		
Preferences for childcare spending	8780	3.52	0.77	1	5			-0.02	0.08
Willingness to pay: education	8526	0.73	0.44	0	1	0.04	0.07		
Willingness to pay: childcare	8616	0.39	0.49	0	1			0.03	0.12

Table B: Question wordings and operationalizations of the attitudinal variables

Social spending preferences	"Should the government spend more or less on social benefits and social services?" (1: spend much less; 5: spend much more)
Right-wing ideology	"In politics people sometimes talk of "left" and "right". Where would you place yourself on this scale, where 0 means the left and 10 means the right?"
Redistribution preferences	"The government should reduce income differences between the rich and the poor" (1: strongly disagree; 5: strongly agree)
Preferences for education spending	"In the following, I will name several areas of government activity. Please tell me whether you would like to see more or less government spending in each area. Keep in mind that 'more' or ,much more' might require a tax increase: Education" (1: spend much less; 5: spend much more)
Preferences for childcare spending	"Let's talk about the distribution of public spending in the education sector. Please tell me whether you would like to see more or less government spending in each of the following areas. Keep in mind that 'more' or ,much more' might require a tax increase: Pre-school and early childhood education" (1: spend much less; 5: spend much more)
Willingness to pay: education	"Imagine the government proposes a new tax to finance additional investments in the following parts of the education system I will read out to you. Would you support a new tax to finance additional investments in the area of" [Pre-school and early childhood education; General school education; Vocational education and training; Universities and other higher education] In case a respondent answers positively to this question, he/she is asked: "And what percentage of your personal net income would you be willing to pay for these investments in [EDUCATION SECTOR]? Please give a number between 0 and 10 per cent." The variable "Willingness to pay: education" is coded as 1 if a respondent states a willingness to pay a tax higher than 0 for at least one educational sector.
Willingness to pay: childcare	Same as for variable "Willingness to pay: education" only that in this case only the sector of "Pre-school and early childhood education" is considered.

Table C: Distribution of respondents across the split sample

	Q51 Education vs. Unemployment	Q52 Education vs. Pensions	Q53 Families vs. Unemployement	Q54 Families vs. Pensions
General education (below tertiary)	0,32	0,35	0,31	0,31
Vocational education	0,42	0,40	0,43	0,44
Higher education	0,26	0,25	0,26	0,25
Household income (Q1)	0,30	0,28	0,29	0,29
Q2	0,26	0,27	0,25	0,26
Q3	0,19	0,22	0,22	0,23
Q4	0,14	0,13	0,15	0,12
Q5	0,10	0,10	0,09	0,09
Female	0,50	0,50	0,54	0,49
Small child (< 10 years)	0,20	0,18	0,19	0,18
Older child (>= 10 years)	0,23	0,23	0,22	0,20
Current situation: unemployed	0,06	0,06	0,07	0,05
Studying	0,06	0,02	0,04	0,04
Retired	0,23	0,25	0,26	0,24
In paid work	0,47	0,49	0,44	0,50
Other	0,18	0,19	0,19	0,18
DK	0,02	0,02	0,02	0,02
FR	0,18	0,20	0,19	0,19
DE	0,25	0,23	0,28	0,28
IE	0,01	0,02	0,01	0,01
IT	0,20	0,18	0,17	0,16
ES	0,14	0,17	0,14	0,16
SE	0,03	0,03	0,03	0,02
UK	0,17	0,17	0,17	0,17
N	1,992	1,926	1,970	1,934

Note: Figures denote share of respondents in the respective category for each split-sample question. Survey weights used that account for differences in population sizes.

Table D: Effects of attitudes on acceptance of trade-offs; only attitudinal independent variables shown; predicted marginal effects

VARIABLES	Education vs. Unemployment		Education vs. Pensions		Families vs. Unemployment		Families vs. Pensions	
	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE
Social spending preferences	-0.075	0.010	-0.023	0.006	-0.068	0.009	-0.011	0.007
Right-wing ideology	0.022	0.004	0.003	0.003	0.017	0.004	0.004	0.003
Redistribution preferences	-0.035	0.008	-0.002	0.005	-0.023	0.007	0.005	0.006
Preferences for education spending	0.017	0.013	0.018	0.009				
Preferences for childcare spending					-0.007	0.011	0.034	0.009
Willingness to pay: education	0.027	0.022	0.039	0.014				
Willingness to pay: childcare					0.010	0.018	0.070	0.012

Marginal effects (resulting from a one unit change in the independent variable) and standard errors; all variables are held constant at their means; all models include the same independent variables as those models reported in Table 1; one separate model is estimated for each attitudinal variable.

Online-Appendix

Figure A: Share of respondents accepting trade-off "education versus unemployment benefits", by country

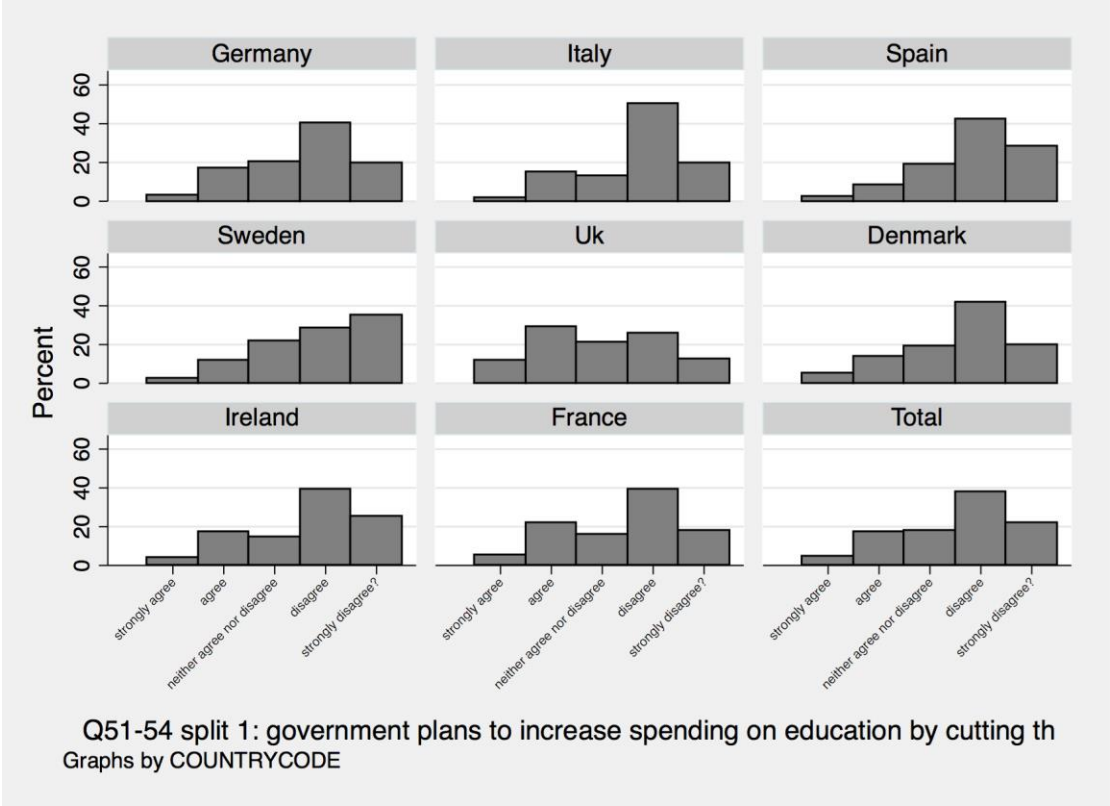


Figure B: Share of respondents accepting trade-off "education versus pensions", by country

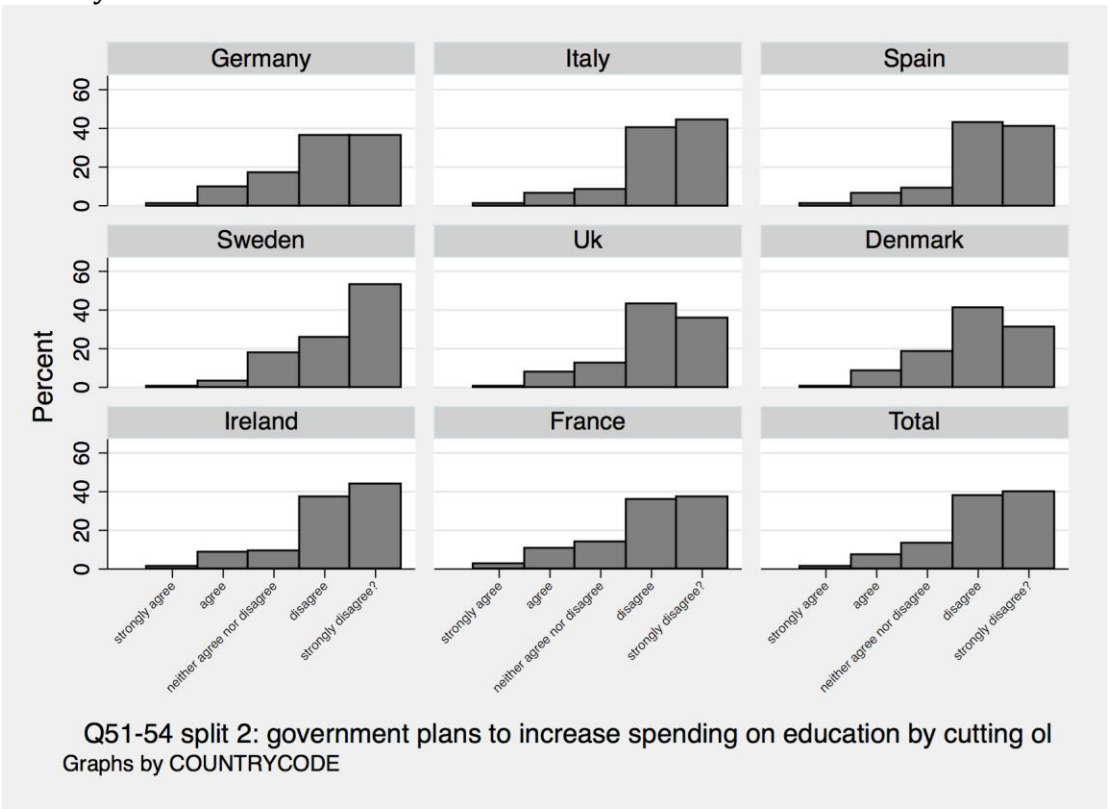


Figure C: Share of respondents accepting trade-off "family spending versus unemployment benefits", by country

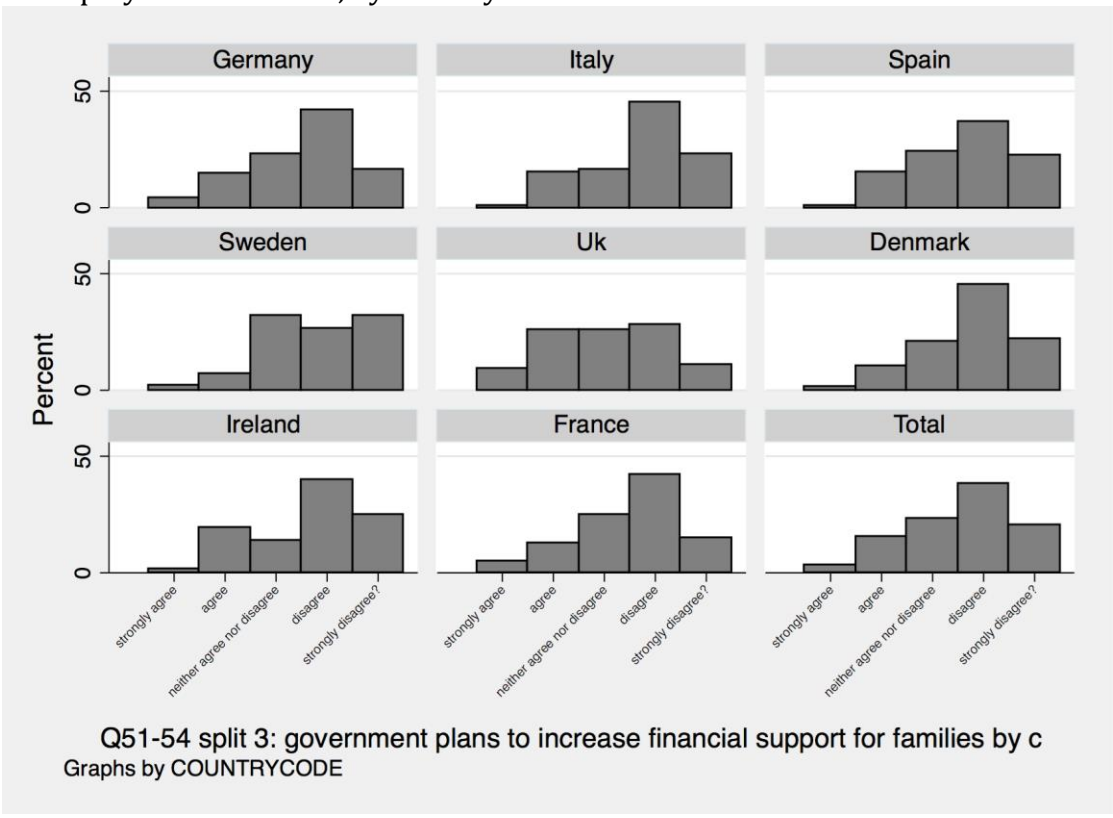


Figure D: Share of respondents accepting trade-off "family spending versus pensions", by country

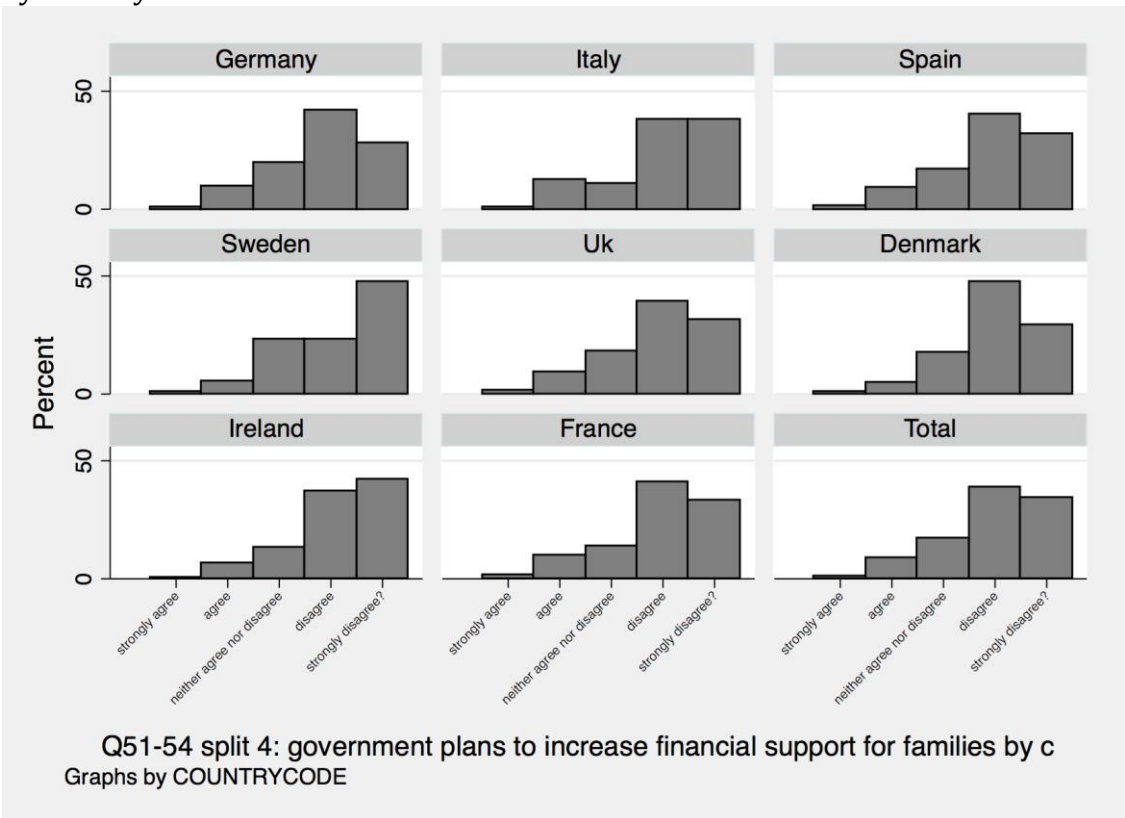
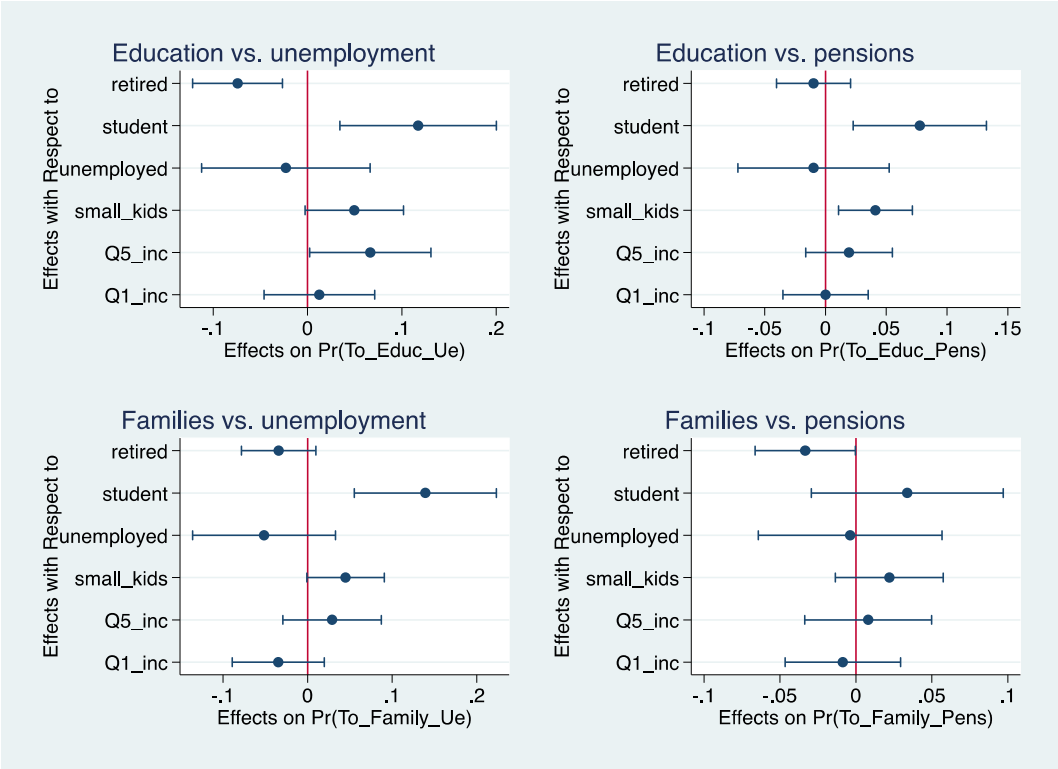


Figure E: Marginal effects of changes in the independent variables against the reference category on the likelihood of accepting a trade-off



Note: All remaining variables are held constant at their means.

Notes

[i] A partial exception is Boeri et al. (2001), who confronted respondents in four countries with policy trade-offs. Yet, they investigate different kinds of trade-offs than we do. While we analyze attitudes towards social investment versus compensatory social policies, Boeri et al. study attitudes towards different kinds of compensatory policies, e.g., whether respondents would like to reduce mandatory pension contributions to be better able to buy private old-age insurance.

[ii] Real world examples could for example be Blair's welfare reforms in the UK or Schröder's reforms in Germany, which both made considerable changes and explicitly redesigned the welfare state (cf. Fleckenstein et al. 2011).

[iii] A similar hypothesis can be derived by relying on a rational choice mechanism: The group of pensioners is much larger than the group of unemployed people. Therefore, support for maintaining generous pensions is higher because more people expect to benefit from this compared to unemployment benefits.

[iv] We disregard differences between Continental and Southern European welfare states for reasons of simplification and discuss the differences more in the empirical section.

[v] Table C in the appendix shows that the randomization was successful.

[vi] We did not specify a similar number for the necessary cuts in compensatory spending, because this number would a) be difficult to calculate empirically, b) vary by country, c) make the question framing even longer and more complex.

[vii] The results largely stay the same, if the middle category is excluded.

[viii] We refrain from using ordered logit models as the number of responses would become very small for some categories and as we are theoretically more interested in the broad difference between supporters and opponents.

[ix] We also considered additional control variables such as age, public sector employment, or single parent status. Including these variables does not alter the findings but they complicate the interpretation of the results as they are correlated with some of the variables of theoretical interest. We thus exclude them.

[x] The interpretation of the effect sizes for income (and the following variables) are based on predicted probability changes in the dependent variable caused by a categorical change in the respective independent variable, holding all other variables constant at their means (see Figure E in the online-appendix).

[xi] We cannot rule out the possibility that this is due to the low number of unemployed persons in the survey. For example, additional models show that respondents with a high perceived risk of becoming unemployed are significantly less likely to support the education vs. unemployment trade-off (Model 1).

[xii] As discussed above, the attitudinal independent variables are correlated: People who demand more social spending also prefer more spending on education and childcare and are more willing to accept additional taxes to finance such spending increases. However, we expect and find opposite effects of preferences towards general social spending and spending on social investments on acceptance of trade-offs. This implies that both types of variables are not too closely correlated (the correlation coefficients range between 0.07 and 0.27) and appear to capture different aspects of underlying preferences. Adding social spending preferences to the models in Table 2 increases both the negative effect of general social spending preferences and the positive effect of social investment spending preferences on acceptance of trade-offs.

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