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Giuliano Bonoli and David Natali

EUROPEAN UNIVERSITY INSTITUTE, FLORENCE
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GIULIANO BONOLI AND DAVID NATALI

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Abstract

The present paper has a twofold objective. First we discuss different possible interpretations of recent current social policy change. Western European welfare states have been characterised by (functional and normative) innovation towards cost-containment, activation, social investment, and the flexicurity model. While the effect of recent waves of reforms is still debated, norms and cognitive elements of welfare policy have clearly changed. Second, on the basis of existing scholarship, we try to develop an explanation of the observed pattern of change with specific reference to the politics of 'blame avoidance' and 'credit claiming'. The recent reform process has seen the emergence of a complex set of strategies policymakers have implemented to improve social and political consensus for innovation. The latter has consisted in the transformation of the social and employment policies inherited from the past. Third we shed light on some key aspects of the reforms' output and outcome, with a brief summary of the main issues in need for further research. Reforms have been consistent with the 'contingent' convergence of national welfare states through a sequence of transformative innovations, with evident distributional effects.

Keywords

Welfare state change, blame avoidance, credit claiming, activation, social investment, flexicurity

1. Introduction

Social policy in OECD countries has taken an unexpected turn in the late 1990s/early 2000s. While in the previous two decades the key direction of welfare restructuring was retrenchment and cost containment, more recent reforms, at least up to the 2008 financial crisis, have favoured a new, more active, role for social policy. For most social policies, this shift has meant the adoption of a new function. In addition to the traditional income protection function, social programmes are increasingly expected to promote labour market participation, through a great variety of means. Of course, the income protection function of welfare states still plays a very important (and controversial) role, which is increasingly obscured by the very strong emphasis on employment promotion and investment in human capital.

The fact that this reorientation of social policies amounts to a fundamental shift in the very nature of western welfare states is suggested by the flourishing of labels and terms that are supposed to describe the result of the process. These include: the “active welfare state”, “social investment”, “flexicurity”, or the “Third Way”**.** These notions are widely used in current debates. They focus on different aspects, and convey a view, mostly positive, of the emerging welfare settlement. Here we prefer a more encompassing and neutral formulation: the new welfare state.

Against this background, the objective of this paper is twofold. First we discuss different possible interpretations of recent current social policy change, along the lines suggested above. Western European welfare states have been characterised by (functional and normative) innovation towards cost-containment, activation, social investment, and the flexicurity model. While the effects of recent waves of reforms is still debated, norms and cognitive elements of welfare policy have clearly changed. Second, on the basis of existing scholarship, we try to develop an explanation of the observed pattern of change with specific reference to the politics of ‘blame avoidance’ and ‘credit claiming’. The recent reform process has seen the emergence of a complex set of strategies policymakers have implemented to improve social and political consensus for innovation. The latter has consisted in the transformation of the social and employment policies inherited from the past. Third we shed light on some key aspects of the reform’s output and outcome, with a brief summary of the main issues in need for further research. Reforms have been consistent with the ‘contingent’ convergence of national welfare states through a sequence of transformative innovations.

2. Assessing Welfare State Change

Already at the end of the 1990s it was clear that retrenchment was not the only dimension of welfare state change. Back then, Paul Pierson identified three such dimension. The first one, cost-containment, reflects actual retrenchment but also measures geared toward limiting future rise in spending. The second dimension of change, re-commodification, made reference to reforms that “restrict the alternatives to participation in the labour market, either by tightening eligibility or cutting benefits” (2001: 422). Third, Pierson spoke of recalibration, which was seen as a movement towards adapting welfare states to changed socio-economic circumstances. Recalibration was of two sorts, either “rationalisation”, i.e. getting rid of inefficiencies that had developed over the years, or updating, i.e. responding to new needs and demands (*ibidem*).

The three-dimension framework put forward by Pierson to analyse social policy change has proven extremely useful, and, after years, remains capable to capture most of the changes that we have witnessed in recent social policy making. But after a decade of sustained social policy change, we can update the framework on the basis of the trends observed throughout Europe. In the following the reference is to retrenchment and three different policy concepts that put in evidence the way recalibration has been framed and implemented: activation, social investment and flexicurity.

2.1 Continued retrenchment

Retrenchment and cost-containment have been important themes of social policy making throughout the 2000s. Efforts at containing and reducing social expenditure have concerned above all the Bismarckian welfare states of Continental Europe. Old age pensions, as the biggest spending programme, have been mostly affected. Most continental European countries had adopted retrenchment-oriented pension reforms earlier on (in most countries since the early 1990s), but the cuts adopted were generally regarded as insufficient to guarantee the long term sustainability of these generous schemes. As a result, throughout the 2000s we see the continuation of the trend set in motion in the previous decade.

Retrenchment oriented pension reforms are adopted in most Continental European countries. A few examples may help illustrate a more general pattern. Germany, has introduced a link between benefit levels and the ratio of beneficiaries to contributors (through the so called sustainability factor) in 2004. The result is a reduction in the replacement ratio of public pensions that follows the process of population ageing. Later, in 2007, it increased retirement age by two years to 67, with a long phasing in period and some exceptions. France, in 2003 adopted a longer contribution period to obtain a full pension. Italy, finally, continued the movement towards phasing out generous provision for early retirement. These reforms have tended to have relatively long phasing in periods, which arguably made them politically more acceptable (Bonoli and Palier 2008).

These reforms, which over the years will impact quite dramatically on the replacement rates of public pensions, have generally been accompanied by what Palier has termed “structural reforms”. These have concerned different aspects of the institutional set up of pension schemes. First countries have reduced the incidence of social contribution relative to taxation in the financing of such schemes. Often, this has resulted from shift to tax financing of the more redistributive elements of public pensions, making them more akin to actuarially fair insurance mechanisms. Second, reforms have introduced measures aimed at promoting the development of supplementary funded provision, with the explicit goal to move towards a multipillar pension system structure (Palier 2010). The development of supplementary funded provision remains nonetheless patchy, which suggests that retirement will be characterised by bigger inequalities once the cuts introduced during the various waves of reform will begin to bite.

Retrenchment and cost containment have been applied to other policy areas as well, such as unemployment compensation. Germany, with the Hartz IV reform of unemployment policy, has cut unemployment benefit for large numbers of long term jobless people, who have seen their earnings-related benefit being downgraded to the equivalent of social assistance. Cost containment measures have been adopted also in other continental European countries (Clegg 2008). Of course, retrenchment in the field of unemployment protection can be also interpreted in terms of recommodification, as lower benefits will put extra pressure on recipients to accept the jobs that are on offer.

Retrenchment was not of a dominant theme in policy making both in the Nordic countries and in Liberal welfare states. In the former, a good macro-economic performance since the mid-1990s has meant that retrenchment was unnecessary (Kangas and Palme 2009) In the UK, the financial sustainability of social policies had been addressed during the previous decades, and policy was geared more towards addressing uncovered social needs and alleviating poverty for example in the field of pensions, with the restoration of the link between the basic state pension and wages, and the strong emphasis on fighting child poverty (Clasen 2005; McKay and Rowlingson 2008).

Retrenchment initiatives have often been characterised by the fact of producing an uneven impact on actual or future beneficiaries. This is reminiscent of one of the strategies identified by Pierson as used by governments to make retrenchment politically feasible: division. According to this strategy, rather than adopt across the board cuts that affect large sections of the electorate, governments will prefer, where possible, reforms that concern only a smaller group. Division is a strong dimension of the pension reforms adopted in the Bismarckian countries. Given the long phasing in periods, reforms have affected predominantly voters who are rather young and unlikely to mobilise against pension cuts. Current retirees and older workers have generally been spared from negative consequences of reform[1].

While retrenchment has been a key part of the reform process (at least in some policy areas), policy change has proved much more complex. In particular, such multi-dimensional character has been evident from a functional and normative point of view (Ferrera et al 2000). Social policy in Europe has been largely reframed in the last decades. Some risks (e.g. more fragmented working careers, the incidence of poverty for active population, etc.) have become more salient in the reform agenda and some policy areas (e.g. education, child care) have seen the increased attention of policymakers (Bonoli 2004; 2009). As a consequence, the reform process has not been a pure exercise of 'blame avoidance' to introduce cost-containment measures, but a more complex strategic game of blame avoidance and credit claiming to 'recalibrate' the welfare state of the past to the changing socio-economic context (see section 3 below).

2.2 A shift towards activation

One key specificity of social policy making in the 2000s has arguably been a functional reorientation of social security for working age people from income protection to the promotion of labour market participation, or activation. Sure, income protection remains a key function of social security systems, but it has clearly been complemented with an employment promotion objective which has played an ever increasing role over the years.

Activation is one of those ambiguous policy concepts that can be used to refer to rather different types of actual measures. Activation certainly contains a part of recommodification, but it would be wrong to equate the two notions. The idea of activation came up in the late 1990s /early 2000s in conjunction with the emergence of a Third Way political project. As typical of this approach, it relies on a simultaneous emphasis on apparently contradictory principles such as "rights and responsibilities" or on "promoting and demanding" see e.g. (Giddens 1998; Myles and Quadagno 2000; Merkel 2001; Bonoli 2004).

As argued by Eichhorst and colleagues, activation comes in at least two varieties: the "demanding" and "enabling" activation. The former is akin to the process described by Pierson as "recommodification". It makes reference to increased conditionality, sanctions, time limits on recipiency, and so forth. Enabling activation, instead, consists mostly in provision of assistance in the job search process. This distinction is more helpful conceptually than in terms of allowing au to classify actual measures. These, in fact, tend to mix elements of the two types of activation. For example, using a job search assistance scheme may be compulsory and sanctioned with a temporary benefit reduction if refused (Eichhorst et al. 2008: 6)

The shift towards activation is visible in several developments. First, social security for working age people has been characterised by a strong re-commodification trend. Pierson had identified this trend in the liberal welfare states in the shape of benefit reductions and increased conditionality. This trend has been extended to other worlds of welfare. Stronger benefit conditionality has been enforced through various channels, for example by introducing stricter definitions of acceptable work in terms of geographical or occupational mobility. Some countries have also introduced or strengthened sanctions in case of refusal to participate in labour market programmes and tightened job search requirement during unemployment spells.

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[1] Pierson thought of division in cross-sectional terms, essentially as reforms that exploit the structural fragmentation present in some welfare state. What we saw throughout the 1990s and the 2000s, however, was division applied in longitudinal terms.

These trends have concerned various groups of jobless people, on unemployment benefit and on social assistance. A comparative study of benefit conditionality for unemployment benefit (typically unemployment insurance) beneficiaries found that between 1997 and 2004, access to benefit became more difficult in a majority of the countries covered (12 out of 16). Countries that introduced stricter access are found across welfare regimes, suggesting that the trend is a general one (Hasselpflug 2005). This findings are confirmed by a similar survey carried out by the OECD which finds that “Countries seem to be increasing the number and variety of instruments used to “activate” jobseekers, focusing on density of contacts, verification of job search, the set-up of individual action plans and referrals to ALMPs after a period of unsuccessful job search” (OECD 2007: 209).

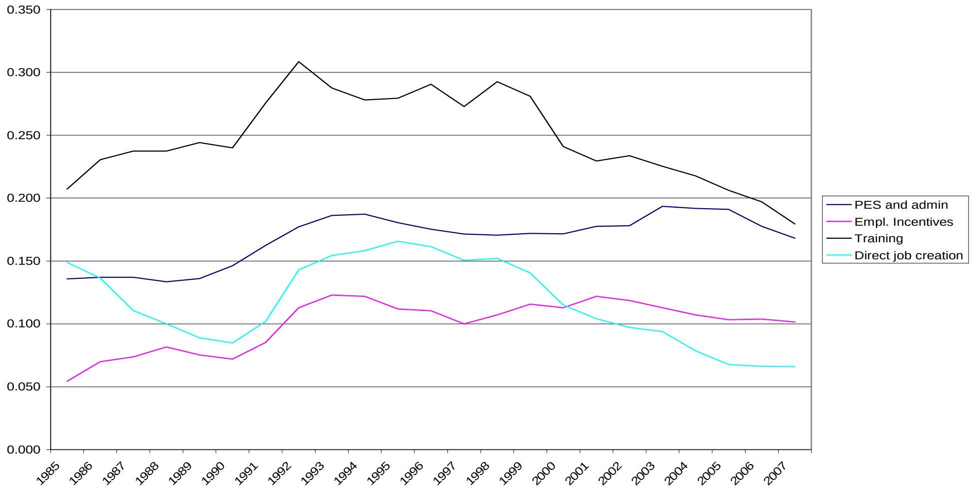
A similar trend is going on in the unemployment assistance / social assistance field, which covers jobless people who do not qualify for insurance benefits. Work search requirements have been introduced for beneficiaries of these schemes. In many countries, these are now required to register with the public employment service, and subjected to the same job search requirements as the unemployment insurance benefit recipients (Lødemel and Trickey 2001; Dufour et al. 2003).

Recommodification has concerned also the Nordic countries. While Sweden is considered the pioneer in the development of employment promoting social policies, after the shocks of the 1970s and 1980s, Nordic countries shifted towards a more passive approach to social security. For example, both Sweden and Denmark allowed unemployed people to remain indefinitely in their unemployment compensation systems, as participation in a labour market programme could be counted as a contribution period. Both countries abandoned this practice, first Denmark in 1994 and Sweden in 2001. Both countries have also introduced over the years more conditionality and job search requirements elements for both social assistance and unemployment insurance beneficiaries (Swedish Government 2002; Köhler et al. 2008; Kvist et al. 2008).

As argued above, it would be wrong to equate activation with recommodification. The 2000s have seen the development and expansion of a broad range of tools and interventions aimed at facilitating labour market (re-)entry for non-working individuals. The range of tools used to this end is rather broad. They include support in the job search process, employment subsidies, financial incentives (make work pay policies) but also access to childcare services (OECD 2007; Eichhorst et al 2008: 6).

These policies have seen a major expansion during the 1990s and the 2000s. Countries have increased the frequency of contacts between job seekers and case workers; individual action plans have been introduced in a majority of cases; job search schemes have been expanded (OECD 2007). This shift is clearly visible in OECD’s spending figures. While spending on ALMPs has not changed dramatically between 1985 and 2007, its composition has. In 1985, the two main component of ALMP spending were training and direct job creation. In 2007, training remains the biggest item, but public employment services and employment incentives, two categories that refer precisely to this type of programmes, play a much bigger role. In contrast, direct job creation, the least activating type of ALMP, has declined quite significantly in OECD countries.

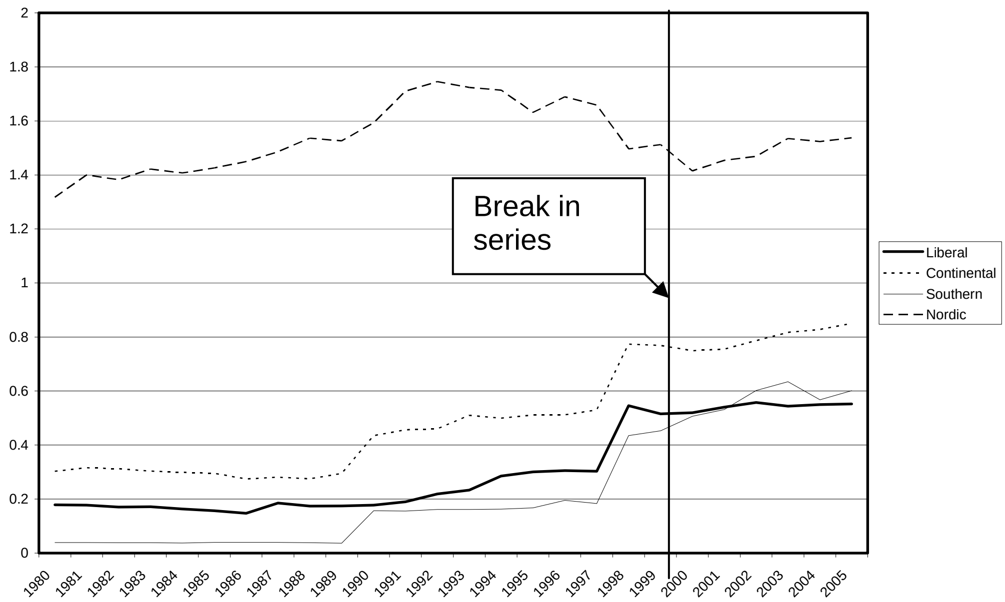
Figure 1: Spending on ALMPs by type, average of 22 OECD countries



Source: OECD.Stat

The employment promotion orientation of recent social policy change is also visible in the expansion of subsidised childcare throughout OECD countries. This trend is also one that spans across welfare regimes. The difference between the Nordic countries and the rest of the OECD world, however, remains huge.

Figure 2: Spending on family services in different welfare regimes (1980-2005)



The development of a (new) employment promotion function in social security systems has resulted in a second type of reforms, concerning the very institutional set up of income replacement schemes for working age people. Most European welfare states were built on the basis of internal divisions, typically reflecting different social risks or causes of non employment (short term unemployment, long-term unemployment, social exclusion, work incapacity or disability). This structure has, in many cases, proved unsuitable to the fulfilment of the new employment promotion function. This, for various reasons. First, fragmented systems encourage agencies to shift costs (and beneficiaries) form one to the other, which can be detrimental to re-employment prospects. Second, the skills needed to fulfil the employment promotion function are not available in all agencies, typically in the social services responsible for the administration of social assistance. As a result, we have seen the emergence of coordination across social security schemes as a major issue in many countries (Clasen et al. 2001; Overbye et al. 2008; Champion and Bonoli 2009; van Berkel 2010)

Structural reforms of social security systems have taken various shapes. These have included the mergers of agencies responsible for the administration of benefits and placement services (in the UK, in France); the setting up of new inter-agency structures (such as the ARGEn in Germany, which provide both cash benefits and re-employment assistance to the long term unemployed) or the setting up of collaboration initiatives (Switzerland). This development is rather recent (second half of the 2000s) and can be considered as a knock on effect of the reorientation of western welfare state toward the promotion of employment. Potentially, it could lead to a redrawing of the internal boundaries of western welfare states.

2.3 Towards social investment?

Together with a clear reorientation towards the promotion of employment, social policy in the 2000s has been characterised by an emphasis on investing in human capital, through programmes like lifelong learning and concerns for child development. This trend, which like activation has been promoted by international agencies (EU, OECD), and Third Way politicians and intellectuals, has probably influenced discourse more than actual policy. The focus on children has arguably benefited the most from the adoption of a social investment perspective, as shown by the increase in spending on childcare that is visible throughout OECD countries (see figure 2 above).

The notion of “social investment” makes reference to interventions that aim at helping disadvantaged people by improving their life chances, particularly their chances to enter and succeed in education and in the labour market. From an abstract point of view, they can be distinguished both from the more traditional social policy approach based on income or job protection and from the neo-liberal one based on deregulation and (re-)commodification (Jenson 2009).

Social investment emphasises investment in human capital as a strategy to deal with social problems and to reduce inequalities. As a result, education and training are the key instruments of a social investment strategy. Investment in human capital is promoted throughout the life course. A lot of emphasis is placed on investing in children so as to maximise their chances of succeeding in education and in the labour market (Esping-Andersen 2002; Esping-Andersen 2006; Jenson and Saint-Martin 2006). Other age groups are also targeted by investments in human capital, including older workers who are often strongly disadvantaged in rapidly changing labour markets.

Social investment may also refer to measures that remove obstacles to employment or to career advancement. These include the provision of subsidised childcare to parents of young children so that they can enter or remain in the labour market, but also active labour market policies that assist jobless people in their efforts to look for employment. Social investment can also be applied to those who are already in work, by facilitating access to better employment through training or other programmes, or by complementing a low wage with an income top up.

It is clear that it is difficult, conceptually, to draw a line between the measures described above as “enabling activation” and those that are considered part of social investment. Policies can probably best be seen on a continuum going from the more recommodifying ones to those that increase the human capital of beneficiaries (Bonoli 2009). With regard to childcare, it may be helpful to distinguish between programmes that simply aim at allowing parents to work from schemes that have a clear objective of promoting child development (Morgan 2009). The social investment dimension is stronger in the latter.

The use of the term “investment” suggests that these policies can generate “returns” for the “investor”, i.e. society. Of course, the ability to impact positively on societal well-being is not a specificity of the social investment approach. Social policies, in general, do produce positive returns for society in terms of improved social cohesion, which benefits all, or in terms of sustained demand for goods and services and thus promoting economic growth. These positive effects of social policies are well known, but are extremely difficult to measure. Benefits in terms of social cohesion may be particularly difficult to quantify, as the value that people attach to it may vary across individuals.

The social investment perspective tends to understand returns in stricter, sometimes quantifiable terms. Investing in education, childcare or in active labour market policy increases the productivity and earning capacity of individuals, who as a result are less likely to require benefits and more likely to be paying taxes. Esping-Andersen insists on this quality of some of the new policies, to argue that spending on them should not count as consumption but as investment. Spending on childcare, for instance, can produce net returns to the exchequer through increased labour market participation by the mother (Esping-Andersen 2006).

As Jane Jenson points out, there are a number of parallels between the emergence of a new policy paradigm around the notion of social investment and previous instances in which influential ideas shaped policy across countries. Keynesianism after 1945 obviously springs to mind. A new set of ideas, coming largely form the academic world, suddenly finds a fertile political ground and policy is, to different degrees and in different ways across countries, shaped by this new way of seeing things. Countercyclical demand management was applied in different ways across industrialised countries, and it is only afterwards that a convergence around a common approach could be identified (Hall 1989; Jenson 2009).

2.4 Up-dating social protection and employment programmes towards ‘Flexicurity’

‘Flexicurity’ is another buzzword utilised by scholars and policymakers (especially international organisations) to summarise the new compromise between flexibility in labour market policy and the security of social rights for workers. The concept was first coined in the Netherlands in the mid-1990s in the attempt to correct the imbalance between an inflexible labour market for core workers and an insecure labour market situation for the contingency workforce (Madsen 2006: 3).

In line with Wilthagen and Tros (2004) flexicurity represents the ‘combination of a degree of job, employment, income security that facilitates the labour market careers and biographies of workers with a relatively weak position, with a degree of numerical, functional and wage flexibility that allows for labour markets’ adjustment to changing conditions in order to enhance competitiveness and productivity’. Such new compromise can be the result of a deliberate strategy for social policy innovation, or the result of more transformative and incremental changes through the compromise between social and political actors.

In line with the flexicurity frame, based on the articulation of more flexible labour markets and more secure social rights for new forms of employment, some of the recent reforms have focused on the need to revise old policy instruments (especially in the context of social protection and employment schemes) to extend protection for social and occupational groups at risk of exclusion. As argued by Hinricks and Jessoula (2009), flexicurity points at the interplay between labour market policies and the system to tackle unemployment: more precisely it refers to that setting of relations that have emerged in some countries when the transition to a more flexible and deregulated labour market has been accompanied by the development of active labour market policies, and it has also relied upon a robust system of wage replacement during unemployment.

Yet, the same concept has been implemented well beyond the limits of employment policies. The limited coverage of old risks and the emergence of new social risks represent a typical example of 'credit-claiming' exercise in reforming social protection programmes. On the one hand, at the end of the 'golden age' of welfare, public social programmes had an almost universal coverage; but some groups were still excluded. This is the case of self-employed that (in some European countries) had more limited protection against old-age risks. On the other hand, the emergence of new risks may have led to new gaps in public protection. This is the case of a-typical workers (with flexible contracts) with limited public protection until the 1990s. Both limits of public protection allow policymakers to improve public system's financial viability while claiming electoral credit for the improvement of the welfare state effectiveness. This is the case of reforms introduced in liberal, social-democratic and especially in Continental and Southern European countries (see Bridgen and Meyer 2007).

Many countries have experienced broad attempts to modernize social protection programmes in order to reconcile financial sustainability and social adequacy. In social insurance countries, for instance, modernization of the public pensions has consisted of two parallel processes: curtailment of average old-age benefits (and especially of privileges), and increase in lower benefits. In Belgium, France and Italy minimum pensions have been increased. And new forms of redistribution have been introduced: this is the case with contribution credits for periods of time spent out of the labour market (for caring, training, education, etc.) (Natali 2008).

Extending the coverage of public schemes has many 'positive' political effects. Firstly, it is a typical measure to improve social rights and protection, and thus reformers may claim credit for that. Secondly, in the short and medium-term it increases the system's revenues while it do not increase total spending. The government thereby avoids an average increase in payroll taxes for public pension schemes and the living standard of beneficiaries is safeguarded and even increased for younger people.

Flexicurity has been the most controversial concepts between those that describe the ongoing recalibration of European welfare states (Leschke et al 2006). Providing a measure of it has proved quite a complex exercise. As stressed by Bertozzi and Bonoli (2009), the concept is based on at least two dimensions (flexibility and security) that make difficult the definition of simple indicators. And more encompassing definitions tend to make the operationalization even more intractable. While some studies have shown important innovations in social protection and employment policies in line with the new idea, some others have proposed a more sceptical reading. Tangian (2006) has put in evidence that except few countries (Denmark and the Netherlands) many European countries have implemented a more uni-dimensional deregulation of labour markets

Yet it is important to stress the flexicurity concept is relevant for the analysis of welfare reforms and has been able to explain the way some countries have found solution to the trade-off between more deregulated labour markets and still secure guarantees for wellbeing. And we will show in the next section, political decision-makers that have followed the new paradigm have had a larger room to manoeuvre than traditionally understood. Following Natali and Rhodes (2008), we argue that the co-existence of different priorities and their creative combination can increase the opportunities for innovative measures (including cost-containment) through potentially win-win solutions.

2.5 A new welfare state?

The objective of the above discussion is not to know whether the welfare states that are currently in place are qualitatively different or not from those that were set up during the postwar years in western Europe. What we are interested in is in outlining the key features of current welfare states. The three directions of change discussed above help us define the "new welfare state", as an institution that puts less emphasis on income replacement and more on the promotion of labour market participation, through activation and investment in human capital.

Of course, behind these broad trends there are significant country and regime differences, has shown, for example, in the spending figure on childcare services. What is striking, however, is that the direction of change, the shift towards employment promotion, seems to span across welfare regimes. The only exception is perhaps southern Europe, which has seen less of a development in this direction. What we have witnessed in this part of the world, instead, is labour market deregulation at the margins, meaning the introduction, new types of labour contract that are not subjected to the same protection of the traditional open ended contract (which remains in place). This strategy can be seen, at least in part, as a functional equivalent to the strategy of activation followed in the rest of Europe. Its key objective, in fact, is to bring more people into employment. It is a low cost strategy for the state, as, unlike activation, it does not require increased spending. It results in a strong dualisation of labour markets, between insiders and outsiders who experience radically different living conditions (Rueda 2007; Palier and Thelen 2010).

As shown in the following, reforms occurred in many European countries prove the partial convergence of social and employment policy. At least in terms of norms and the definition of new welfare programmes, old institutions have been 'recalibrated' and have put greater emphasis on new functions.

3. Accounting for the reorientation of western welfare states

Given the large number of causal and intervening variables that are likely to affect the course of public policies, it is an extremely difficult and clearly over-ambitious task to explain social policy developments. Rather than put forward such an explanation, in this section we want to explore a hypothesis that can help us understand why ideas like activation, social investment and flexicurity have proved rather successful in recent times.

Our hypothesis is based on the twin concepts of 'credit claiming' and 'blame avoidance' (Weaver 1986). These concepts describe the behaviour of re-election seeking governments depending on the popularity /unpopularity of the policies they are adopting. Students of welfare state adaptation have made extensive use of the concept of blame avoidance, to account for the strategies put in place by governments involved in social policy retrenchment (Pierson 1996, 1998). In their understanding, governments, acting in a context of permanent austerity, have no other choice than to reduce social entitlements. However, given the popularity of social programmes, they are forced to develop some "blame avoidance strategies", if they are to escape electoral punishment. As a result, retrenchment is carried out with various strategies including low-visibility reforms and reductions that affect only part of the electorate.

The view that sees current social policy making to associated more with blame avoidance than with credit claiming is certainly accurate and confirmed by many developments considered in this paper. Of the various blame avoidance strategies identified by Pierson (1994), division is arguably the one which has played the biggest role in the late 1990s and the 2000s. Divisive strategies were instrumental in making substantial pension retrenchment acceptable to electorates, chiefly by concentrating the cost of the reform on current younger workers and leaving pensioners and older workers unaffected. A similar approach has been followed in labour market deregulation. Countries with high levels of employment protection, such as France Italy or Germany, have tended to keep them for core workers while allowing the development of a vast range of precarious contracts at the margins (time limited, often without social security coverage, Palier and Thelen 2010).

Yet, the politics of welfare reforms is not uni-dimensional. Credit-claiming has proved to be an option for policymakers, especially in their attempt to 'recalibrate' social and employment policies. Table 1 briefly summarises the more complex political strategies followed by reformers.[2]

Table 1. A revised analysis of the politics of welfare reforms

	The New Politics of Welfare	**The Politics of the New Welfare**
Socio-economic context		
	Permanent austerity	Changing economic, financial and social conditions
Functional and normative basis for reforms		
	Retrenchment Re-commodification Recalibration	Recalibration (Activation Social Investment Flexicurity)
Political strategy		
	Blame avoidance (division, compensation, obfuscation)	Blame avoidance (path of least resistance) and Affordable Credit claiming
Reforms' outcome		
	Persistent divergence (Path-dependency)	Contingent Convergence (Open path-dependency)

In the following we first look at the application of blame avoidance strategies, through obfuscation, compensation and in particular division. The politics of justification (see Green-Pedersen 2002) has been a further approach to minimise the social and political opposition to reforms. We then focus on the persistent role of credit claiming (largely consistent with the three key ideas and concepts of activation, social investment and flexicurity).

3.1 Blame-avoidance: Reform through the "path of least resistance"

The shape taken by retrenchment and also by labour market deregulation can be easily understood within a blame avoidance framework. Governments are under pressure from the markets and supranational actors to contain social spending and to liberalise labour markets: two types of reform that in most of Western Europe are likely to generate strong opposition and, potentially, electoral punishment. Under such circumstances, governments are likely to look for the "path of least resistance", or the politically safest way to obtain this type of result.

On the one hand, as Green-Pedersen (2002) puts it, policymakers may have the opportunity to justify redistributive (if not subtractive) measures in terms of the most effective strategy to safeguard

2 Key points in Table 1 represent a schematic summary of the main traits of the literature on the 'new' politics of welfare state, the main reference is to Pierson (1994; 2001). That literature has then increase its complexity and more recent contributions (from early 2000s) have started to amend the focus on cost-containment (as argued by Pierson 2001, see section one above).

the welfare state long-term sustainability. Curtailment could also be justified as a step to reduce inequalities through cutting privileges (see also Palier 2010).

On the other hand, reformers have tried to concentrate the consequences of retrenchment on groups of people that are less likely to mobilise politically: younger people in the field of pensions; younger people and marginal workers in the field of labour market deregulation. In Pierson's words, use a strategy of division.

Another dimension used by policymakers to divide potential opponents is related to time. Scholars seem to have largely underdeveloped the analysis of the internal articulation of reform opponents. In particular, the relevance of the inter-generational cleavage needs more accurate study. If we add the time dimensions, in fact, the trade-off is not between gains and losses, but between present and future gains and present and future losses (Jacobs 2008). The introduction of long phasing-in periods in the pension reform package provides an example of this strategy to lower electoral and political risks (see Natali 2009). A long transition may mean that the main losers of a reform will be current young generations, less likely to mobilize against cutbacks than the politically powerful pensioners and older cohorts of workers. While for older cohorts of workers and pensioners reforms may largely consist of limited curtailment, if any, for younger cohorts the reform package may be more complex and painful. As argued by Bonoli and Palier (2008), long time lags may be problematic, as the generations that will be affected by retrenchment are at the same time expected to pay for current retirees and to save for their own retirement, but the gradual adoption of reform makes its consequence less visible.

The "path of least resistance" hypothesis is extremely powerful in accounting for many observed developments, but some of the transformations described above do not fit within this interpretation. Some governments have invested in childcare subsidies; they have turned social security systems into activation tools; they have improved benefits for working people; they are transforming the institutional structure of social security system so as to make them more suited the objective of promoting labour market participation. These changes cannot be interpreted as blame avoidance under pressure from markets and supra-/inter- national organisations.

3.2 Affordable credit claiming

The notion of credit claiming seems more helpful when it comes to developments such as the reorientation of welfare states toward employment promotion and social investment. Being able to avoid blame may be a difficult enough target in the current context of permanent austerity. However, re-election seeking governments can be expected to be on the look out for credit claiming opportunities: actions that are broadly popular and can be expected to impact favourably on a government's re-election chances. In the past, during the postwar years, the expansion of social rights provided precisely a much appreciated opportunity for such credit claiming, and many have explained the expansion of social programmes during the "*trente glorieuses*" with reference to political competition in the context of well functioning mass democracies (see eg. Alber and Flora 1981; Wilensky 1981; Ferrera 1993: 190-7)

In the current context of permanent austerity, such opportunities have become increasingly rare. For most governments, increases in the generosity of transfer programmes are off limits for budgetary reasons. In this context, the new ideas popularised by Third Way thinkers and international organisations may constitute opportunities for "affordable credit claiming". Most of these policy ideas: to help parents reconcile work and family life, help workless people re-enter the labour market, or more in general the social investment approach can be presented as win-win solutions to the social problems they are meant to address, and as a result generate broad support. Pro-welfare groups and parties may welcome a bigger effort in this field; employers and right of centre parties may like the positive impact on labour supply of these policies, and perhaps, their promise to be cost-effective, at least in the medium term, by reducing reliance on transfer programmes. Employment promoting social policies, as well as notions like activation and social investment, facilitate the sort of "ambiguous agreement" that as proven instrumental in making difficult reforms possible (Palier 2005). Different actors support certain measures, but do so for very different reasons.

In addition, many of these policies have acquired a connotation of "modern social policy" in current debates, and are as a result difficult to oppose for political parties. Take the example of the German CDU-CSU, a Christian democratic party that has historically favoured policies supporting the make-breadwinner model (van Kersbergen 1995; Seeleib-Kaiser et al. 2008), abstaining in the parliamentary vote on the Red-Green sponsored 2004 bill providing federal subsidies for childcare, for fear that a vote against could be exploited politically by the Social democrats (Zylka 2004a).

In addition, the relatively low level of development of pro-employment and social investment social polices guarantees a high visibility even when only limited funds are assigned to new programmes. Concretely, one additional Euro spent on childcare is arguably going to be considerably more visible than the same amount spent to increase (or to avoid a reduction in) pensions. High profile reforms of labour market policy such as the New Deals introduced by the first New Labour government (1997-2001) in the UK have not resulted in an overall increase in spending on ALMPs (ALMP spending in the UK remained stable between 1997 and 2000 at 0.4% of GDP, OECD.*Stat*). The 2004 German law on childcare, meant to create 200,000 new subsidised childcare places, was priced at 1.5 bn Euros (Zylka 2004b), or 0.006% of annual pension expenditure. The new policies, probably because they are developed in a context of absence of provision, offer credit claiming opportunities that are more affordable than is the case in the field of the mature policies inherited from the postwar years.

Affordable credit claiming can be based on the traditional mechanism whereby the state grants advantages to citizen-voters, who in turn respond with electoral support. This may be the case in the field of policies aiming at helping parents reconcile work and family life, particularly childcare and leave policies. Affordable credit claiming can also take a different shape, by targeting not so much the beneficiaries of a policy, but the middle classes. This is likely to be the case with activation, especially its most recommodification-based variants. Here, of course, credit can be expected not from those who are targeted by the measures but by those who are in employment, and see themselves as net contributors to the social security system. In their analysis of public support for activation in labour market policy, (Kananen et al. 2006) show that between a third and half of German, British and Swedish electorates think that "*The unemployed should be forced to take a job quickly, even if it is not as good as their previous one*".[3] Support for "enabling activation" is even stronger. Considering the pro-altruism bias one tends to find in these surveys (Epstein 2006), these figures suggest that there is some potential for credit claiming in activation.

While there is potential for credit claiming in the new policies, there are also some dangers. These new policies may run against deeply held normative perceptions among sections of the electorate, in relation to the proper roles of the state and the family with regard to the care of children or in relation to prevailing notions of appropriate social citizenship rights. In the end, the German Hartz IV reforms turned out to be a major blow in terms of support for the Red-Green coalition government, and probably one of the main causes of its fall in 2006. However, this seems to be the exception rather than the rule. Other governments and political leaders who have championed activation have taken credit for it and won subsequent elections. Here examples abound: the British Labour Party and Tony Blair in 2001 and in 2005; Denmark's Poul Nyrup Rasmussen, who presided over the 1994 activation oriented reform of unemployment policy and stayed on as prime Minister until 2001; or the Netherlands's Wim Kok who was instrumental in promoting the reorientation of the Dutch welfare state towards activation and stayed in power between 1994 and 2002.

The selective expansion of the welfare state through the development of a pro-employment orientation seems to occur more frequently when Social democrats are in power. Often a high

[3] The authors used Eurobarometer data collected in 2001 (Eurobarometer 56.1).

visibility re-orientation exercise takes place soon after a return to power of a left-of-centre government (e.g. Denmark in 1994, the UK in 1997, the Netherlands 1996; Germany 1998). Activation and pro-employment policies are not necessarily left-wing polices. Two hypotheses can be made to account for this fact. First, Social democrats returning to power after a prolonged period in opposition are expected by their supporters to develop policies that are qualitatively different from those adopted by their right-of-centre predecessors. Traditional Social democratic pro-welfare policies are nonetheless off the menu, because of the overall context of permanent austerity. Under such circumstances, a high profile re-orientation exercise based on affordable credit claiming may offer an opportunity to Social democrats to distinguish themselves from their competitors without endangering public finances.

There is also a second factor that may help to explain why high profile reorientation exercises have been performed most often by Social democrats. Re-orienting social policies toward employment promotion is a highly ambiguous exercise from the point of view of the policy-takers. These exercises generally combine re-commodification with enabling measures, but where most of the emphasis will fall, can often only be seen during the implementation phase. For this reasons, it may be easier to exploit the credit claiming potential of these measures for the Social democrats, who are less likely to be suspected than their right-wing counterparts to hide retrenchment and recommodification under the activation discourse. This mechanism is akin the Nixon-goes-to-China explanation of why often, Social democrats have been more successful at retrenching welfare states than right-wing parties (Ross 2000; Green-Pedersen 2002).

The British trajectory in active labour market policy illustrates well these two hypotheses. It is difficult to appropriately time the activation turn in the UK, as many of the new orientation were put in place by the Conservative governments since the early 1990s. In fact, New Labour's flagship programme, known as the New Deals, resembled the Conservative "Project work"(Clegg 2005: 192). With the Labour party's accession to power in 1997, however, active labour market policy became a high profile, highly publicised area of government policy. Already in the 1997 election manifesto, the Labour party emphasised what was to become the mix of duties and responsibilities that was to become a trademark of the Third Way: "The best way to tackle poverty is to help people into jobs - real jobs. The unemployed have a responsibility to take up the opportunity of training places or work, but these must be real opportunities" (Labour Party 1997: 15).

The Left seems both more interested and better able to exploit the mechanism of affordable credit claiming. The need to distinguish itself from their predecessors and the image of pro-welfare party have encouraged and allowed Social democrats to play a key role in the reorientation of social security towards employment promotion. Whether the types of policies they developed were qualitatively different from those pursued by they right-wing competitors is an open question. What is certain is that once the path to employment oriented policy had been open, subsequent right-of-centre government have clearly pursued policy along the same lines.

Preliminary Conclusions: Institutional, Social and Political Consequences of Welfare Reforms

The new welfare state is an elusive concept. Yet parallel developments in the fields of social policy, social governance, and socio-economic transformation need to be taken into account in a holistic fashion. This seems to be an essential precondition for understanding the key features of the welfare regimes that are being built at the beginning of the 21st century.

As far as reforms' output and outcome, a long process of innovation has characterised (to differing extents) Western European countries. The number and the content of recent reforms introduced between the end of the 20th and the beginning of the 21st century has proved the ability of national policy makers to react to socio-economic challenges and modernise welfare programmes. If we look back to the last wave of social policy reforms we see a "story of change" (rather than stability). What is more, some convergence can be detected as far as public policy goals, institutional designs and mechanisms of risk-pooling. In the words of Hemerijck (2006), we observe a process of "contingent convergence" of welfare states and the adoption of similar policy initiatives (see Table 1 above). Countries have adopted policies that broadly go in the same direction, but maintain substantial differences. Innovations have been consistent with the adoption of similar policy measures (related to the European Union integration process), with a transition (at least in normative terms) from a corrective and passive welfare state to a more active social investment strategy.

This is the result of reform sequences that are incremental and transformative adaptation of past policies through (an incomplete) learning triggered by the perceived problems of old welfare schemes. Welfare and employment policies has thus proved to be evolutionary systems 'whose goals, aims, functions and institutions change over time, however slowly and imperfectly' (*ibidem*, 16)

Two cases prove such trends. As stressed above, activation has become a common orientation of employment and social policies. This has consisted of a revision of the link between social protection and labour market policy through stronger benefit conditionality. This is the case of unemployment, disability and social assistance programmes across Europe. Reforms have encouraged mobility and benefit termination through gainful employment. Major convergence is proved by the reforms implemented through the New Deal programmes in UK, the activation plans in the Netherlands and Denmark and the 'Fö rdern und Fordern' programme in Germany (Eichhorst and Konle-Seidl 2008).

Second, social protection has also seen some convergence. Pension policy for instance has proved old-age programmes are set in motion (Ebbinghaus 2005). The number and the content of reforms introduced in the last two decades has proved the ability of national policymakers to react to socio-economic challenges. Some convergence can be detected as far as policy goals, institutional design and risk-pooling (Natali 2008: 236). The shared trajectory has been consistent with the progressive containment of public spending, the addition of new layers (supplementary non-public schemes) to the public pillar, the individualisation of old-age risks and the attempt to modernise pension programmes (e.g. to protect non standard employment). In this case too, convergence has not led to a dominant model across Europe. By contrast, different forms of public/private pension protection coexist.

All these innovations have been the consequence of long-term transformative changes (Crouch 2005). As stressed by Palier and Thelen (2010), in the case of Bismarckian welfare systems, transformative change has been consistent with the interaction of institutions inherited from the past and new programmes initially introduced at the margin. Yet, these marginal changes lead to new complex arrangements based on a new logic (see also Steinmo 2010).

The broad recalibration of welfare policies has also produced important distributive consequences. On the one hand, in many countries and in different policy areas reforms have led to a more complex institutional setting consistent with fragmented social rights. Encompassing protection against the major social risks has been reduced as a consequence of retrenchment and the extended coverage of new social risks has been based on selective interventions (largely based on targeting). As argued by Palier (2010) for the Bismarckian welfare state, the more fragmented protection of social risks is leading to different 'worlds' of welfare in European countries. Different social groups have different sets of rights with different capacity to be protected. New forms of inequality have emerged across different welfare regimes. And the this leads to a more complex articulation of social and political interests through more fragile compromises.

What demands an explanation is the success that the ideas discussed in this paper have obtained across welfare regimes. The notions of activation, social investment and flexicurity have inspired reform across Europe. The notion of "affordable credit claiming" helps us understand why this has been the case. Southern Europe seems to be somewhat exceptional in this respect, as the inroads made by the new paradigm are less impressive in these countries. This may be explained with reference existing institutional structures (rigid labour market, underdeveloped unemployment protection), which have pushed these countries more in the direction of selective deregulation.

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Authors contacts:

Giuliano Bonoli

Institut d' Hautes Etudes en Administration Publique (IDHEAP) de Lausanne

Quartier UNIL-Mouline

CH-1015 Lausanne

Email: giuliano.bonoli@idheap.unil.ch

David Natali

Facoltà di Scienze Politiche "Roberto Ruffilli"

Via Giacomo della Torre, 1

47121 Forlì

Italy

Email: david.natali@unibo.it

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