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1. Inter-disciplinary Atlantic crossings

Comparative welfare state research is inter-disciplinary par excellence! It was the British political scientist, Hugh Heclo, who first saw social policy as a core component of advanced political systems, with his seminal study, *Modern Social Politics in Britain and Sweden* (1974). Ever since, comparative welfare state research has become one of the most successful fields of inter-disciplinary intellectual engagement between American and European scholars. The landmark contribution of the Danish sociologist Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (1990), was written at the European University Institute (EUI) in Florence, the European hotbed for comparative welfare state research. US-European collaboration flourished when the policy scientist Fritz W. Scharpf, Director of the Max Planck Institute for the Study of Societies in Cologne, teamed up with Vivien Schmidt, Boston University, for the edited two-volumes *Work and Welfare in the Open Economy* (2000), shortly to be followed by the extremely successful *Varieties of Capitalism* (2001) to comparative political economy research, with the political scientist Peter Hall, from Harvard, joining forces with the British macro-economist David Soskice, from the Berlin Wissenschaftszentrum (WZB). Later, the sociologist Wolfgang Streeck, from the Cologne Max Planck Institute, and the political scientist Kathleen Thelen, from MIT, broke new ground together by exploring evolutionary models of institutional change that are both incremental and transformative in nature in their acclaimed edited volume *Beyond Continuity: Institutional Change in Advanced Political*

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Economies (2005). At its core, all of the above contributions study the welfare state and reform the vantage point of the relative staying-power of social policy legacies and state traditions, institutional complementarities across policy domains, and political interaction among key stakeholders, government ministries, social partners and political parties in government and opposition.

Somewhat ironically, it could be argued, the inter-disciplinary success of transatlantic engagement on the modern welfare state, under the umbrella of historical, political, sociological and economic institutionalism, has its origins in the contingency that European scholars never fully heeded the grand theoretical fads from the US of structural-functionalism, behaviouralism and, later, rational choice and game theory, as these more decontextualized theoretical approaches ran into immediate empirical problems in the face of heterogeneous political behavior and policy outcomes across West-European polities with highly variegated electoral systems and civil society relations. In other words, European welfare state researchers never really parted with the «old» institutionalism. And, once the «new» institutionalism made theoretical headway from the mid-1980s, European scholars, increasingly interested in doing more comparative work, were at a competitive advantage. All the milestone publications mentioned above thus ensued from the levelling of the transatlantic playing field.

The ferocity and dynamism of the transatlantic inter-disciplinary cross-fertilization in comparative welfare state research begs the question of whether this fed into a unified theoretical approach and methodological toolkit for the study of modern social politics? I think not, as I will exemplify below. My contention is that in comparative welfare state research today a subtle European touch remains. This is due to the contingencies of engagement and detachment that have roots in the relative geographical proximity between American and European scholars and their objects of inquiry. American colleagues, studying the European welfare state from afar, are generally more prone to put forward and test generalizations about welfare expansion being driven by industrialization, as suggested by Harold Wilensky (1975; 2002); or to conjecture that the post-1980 «new politics of the welfare state» conjures up the «politics of the status quo», associated with the seminal work of Paul Pierson (1994; 2001); or, more recently, to claim that European Union (EU) economic integration reinforces welfare retrenchment and rising inequality across EU member states (Beckfield 2019). In addition, this long-distance relationship inspired American scholars, more than their European colleagues, to develop detached and coherent scientific research programs in terms of theory and method (Lynch and Rhodes 2016). European scholars, operating in close proximity to their objects of study and confronted with national- and EU-level institutional contingencies, tended to shy away from linear inferencing on the basis of *nomothetic* research programs; instead focusing on particularizing institutional contingencies with consequential outcomes for diverse welfare states in a more *idiographic* comparative fashion. One of these contingencies relates to the deepening and widening of the European Union from six to 28 member states, with 19 sharing the single currency of the euro since the late 1980s. Europeanization challenges the standard methodological nationalism that US research continued to adhere to. Explaining the novel two-level institutional veracity, as the political sociologist Maurizio Ferrera does in his magisterial study *The Boundaries of Welfare: European Integration and the New Spatial Politics of Social Protection* (2005), requires a more open theoretical approach, with theory-building and theory-testing interacting to enrich each other with narrative detail and empirical depth. The unique exigency of intensified Europeanization, moreover, triggered a third – unforeseen – development. Since the late 1990s, national and EU-level policy makers have consulted with Gøsta Esping-Andersen, Maurizio Ferrera, myself and many more, to advise on the future of social Europe and its de facto semi-sovereign EU welfare states. It is my contention that academic engagement with policy makers, which is constantly evolving, ultimately prepared the intellectual ground for the diffusion of social investment reform across the European continent, a policy shift that has made few inroads in the US.

Relative geographical proximity and distance to objects of scientific inquiry, I argue below, invoked subtly diverse traditions of welfare state research on both sides of the Atlantic, including discrete opportunities for scholarly engagement with policy makers. However, I wish to emphasize that I do not suggest that the more idiographic European emphasis is in any sense superior to the nomothetic American research. I merely wish to emphasize why they opted, in relative terms, for testing generalities vis-à-vis explaining institutional contingency. The rest of the article proceeds in three steps. First, Section 2 surveys the rise of social science institutionalism to paradigmatic hegemony in the field of comparative welfare state research since the late 1980s. I will highlight the European twist to welfare state research and compare it to the American approach which remained stronger on theory and methods. Next, in a somewhat autobiographical fashion, Section 3 portrays how, since the 1990s, a number of European welfare scholars were consulted by EU institutions and national governments to engage in social investment agenda-setting. In the concluding Section 4, I argue that the kind of open institutionalism in empirical research (and policy advice) that European welfare scholars brought to comparative research continues to prove indispensable to effectively exploring and explaining transformative two-level European social policy change over the past two decades. In spite of robust empirical research, welfare state institutionalism today faces a revitalized behavioralist counter-revolution in the social sciences.

Paradoxically, as the stakes for inter-disciplinary research are high, today, stratification sociology tends to specialize as a «population science», privileging a macro focus on population regularities as the *explananda*, layered with micro-level inferences to be tested through rigorous statistical analysis. Any consideration of mid-range institutional variables between population regularities and micro-behavior is being shelved (Billari 2015; Goldthorpe 2016). Similarly, political scientists are increasingly turning to bottom-up partisan competitions and opinion survey research with an overriding focus on the micro-behavioral electoral input side of the political process (Lindvall and Rueda 2014; Abou-Chadi and Immergut 2018). Sadly, as a consequence, the institutional throughput side of the political process, connecting macro regularities to micro correlates by government interaction with EU institutions at the supranational level and the social partners in domestic arenas, is being shelved. The behavioral turn confronts welfare state research with the imperative to reconstruct a form of open institutionalism, capable of interpreting and explaining the politics of welfare state recalibration, without throwing out the fundamental insight that extant political structures, state traditions and social policy legacies, including those at the EU-level, profile the behavior of *reflexive* reformers and facilitate policy engagement with academia, in a path-contingent but not predetermined fashion.

2. Between closed and open institutionalism

In the 1970s, a novel field of political inquiry, comparative welfare state research, came into purview, as it became increasingly evident that the welfare state had «grown to [its] limits» (Flora and Heidenheimer 1981). Moreover, the startling variety of national patterns of crisis management during the 1970s stagflation predicament discredited the behavioralist assumptions and functionalist convergence conjectures of post-war social science. A new generation of scholars reclaimed leverage for institutional factors – ranging from partisan control over government, electoral systems, administrative traditions, social policy legacies, to the structure of industrial relations – as independent middle-range variables better able to explain patterns of socioeconomic variation across advanced OECD democracies (Goldthorpe 1985). For almost four decades, contributors to the vibrant field of comparative welfare state research endorsed the overarching institutional presumption that «policy shapes politics» because of the political salience of issues such as employment, care, and welfare provision, and due to the enduring character of country-specific post-war political compromise underlying domestic welfare architectures.

The founding father of the study of the politics of the welfare state, Hugh Heclo, intimated in *Modern Social Politics in Britain and Sweden* (1974) that with social spending rising to over fifteen per cent of GDP in the post-war era, analysing partisan conflict and political competition over social policy no longer suffices to understand the true political weight of the modern welfare state. He urged researchers to delve into the administrative capacity of the state as an independent force in modern social politics. Heclo also brought to the fore an element of policy voluntarism on the part of non-elected policy experts. In so doing, he was the first to direct attention to the dynamics of social learning in the welfare state, driven by the complex interplay of expert consultation and political competition in the policy process (Heclo 1974, p. 320). Fundamental to Heclo's conception of policy learning was *uncertainty*: «Politics finds its sources not only in power but also in uncertainty – men collectively wondering what to do» (Heclo 1974, p. 305). Consequently, he defined policy learning as «relatively enduring changes in thought or behavioural intention that result from experience and/or new information with the attainment or revision of policy objectives» (*ibid*., p. 306). For Heclo, policy actors are necessarily «reflexive», suggesting that they are able to creatively diagnose problems and envision policy alternatives as solutions, under conditions of what Herbert Simon coined «bounded rationality», suggesting a world too complex for actors to comprehensively establish the most appropriate means to an end in a timely manner (Simon 1985).

Following in the footsteps of Heclo, the research tradition of historical institutionalism took root in the US, albeit without Heclo's strong emphasis on policy voluntarism. Theda Skocpol and Peter Katzenstein identified relatively stable features of political-administrative systems and policy legacies as important constraints to and resources for welfare state development (Evans, Rueschemeyer and Skocpol 1985; Katzenstein 1985). Gøsta Esping-Andersen's pioneering breakthrough study *The Three Worlds of Welfare Capitalism*, also building on key insights from «power resources theory» (Korpi 1983), proclaimed that the modern post-war welfare state fundamentally recasts the boundaries between politics and economics, strengthening politics against pure market forces. True to the spirit of historical institutionalism, Esping-Andersen placed additional emphasis on the critical impact of the historical legacies of religion, democratization, and political representation (see also van Kersbergen 1995). By triangulating cross-sectional statistical analysis on stratification and redistribution, the power resources behind variation in «decommodification», and institutional analysis across countries, in sufficient depth and detail, Esping-Andersen was able to conceptualize three «ideal-type» welfare regimes: liberal, conservative-corporatist, and social democratic. In terms of the scope of social protection and stratification, the Nordic social democratic welfare regime, based on state-guaranteed social rights, was a generous welfare front-runner; the Anglo-Saxon liberal regime, based on the market as primary source of welfare provision, a laggard; and the conservative-corporatist regime of the European continent, based on family status differentials, fell somewhere in-between. *The Three Worlds of Welfare Capitalism* represented a paradigm revolution in comparative welfare state research by bringing together institutional factors in a «configurational fashion» of distinct mixes state, market, and family welfare provision. Esping-Andersen also probed the plausibility that the «inherent logic of our three welfare state regimes seems to reproduce itself» (Esping-Andersen 1990, p. 165) in causally distinct path-dependent trajectories.

Feminist scholars like Ann Orloff and Jane Lewis criticized Esping-Andersen's *Three Worlds of Welfare Capitalism* for its predominant institutional focus on the state-market nexus, excepting the continental welfare state with its strong male breadwinner/female homemaker legacy. In particular, they underscored the division of labour within the family, how household chores are distributed among mothers and fathers. From a feminist perspective, welfare state research should not merely focus on how social policy shapes women's employment behavior, but also emphasize how welfare legacies shape gender relations within the families, and how social policy configures female dependence on the families. As such, Lewis (1992) and Orloff (1993) were the first to pay explicit attention to parental leave policies, formal childcare and other gender egalitarian policies, as these critically influence women's economic independence and child poverty. The feminist critique subsequently inspired Esping-Andersen to include the role of the family as a welfare provider through the concept of «de-familialization», capturing the extent to which household welfare and caring responsibilities are relaxed, either through the welfare state or through private market provision in the post-industrial societies (Esping-Andersen 1999; 2009).

From the late 1970s to the early 1990s, the principal research question in comparative welfare state research shifted from an emphasis on historical origins, country-specific contingencies, and political voluntarism, in explaining welfare state diversity and socioeconomic performance variation, towards explaining welfare regime «lock-in» in a more structuralist fashion, with a strong focus on self-reinforcing path-dependent feedback effects, anchoring institutional stability in spite of dramatic structural change. The strongest theoretical claim of the welfare state as an *immovable object* came from Paul Pierson. In his groundbreaking study, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (1994), he was able to demonstrate how difficult it is to retrench standing social commitments, even under the ideological leadership of Margaret Thatcher and Ronald Reagan, who were zealously motivated to unburden the free market from the overloaded Anglo-Saxon welfare states in the UK and the US in the 1980s. Pierson concluded from his two case comparison that «the welfare state remains the most resilient aspect of the post war political economy» (Pierson 1994, p. 179). Theoretically, he anchored his linear explanation of the «frozen» character of mature welfare states on the (negative) political incentives brought on by the expansion of the welfare state during the Golden Age, displacing the «old politics» of the welfare state, largely driven by «credit claiming» policy expansion. For Pierson, mature welfare states are quintessential sites of institutional self-reinforcement, making pathbreaking reform progressively more improbable, because of a generalized political fear of electoral retribution and vested interest opposition to cuts in popular social programs. In passing, he scorned Heclo's naïve mid-1970s portrayal of social policy learning by underlining that «in an atmosphere of austerity a fundamental rethinking of social policy seems a remote possibility» (1994, p. 170).

Since the publication of Pierson's justly famous book, the «new politics» conjecture of political inertia has been corroborated by many failed reform cases on the European continent, such as the stalemated pension reforms in Italy in 1994, which led to the downfall of the first Berlusconi government, and in France in 1995, when Prime Minister Juppé had to withdraw his social insurance reform plans after massive protests. American scholars, working on European welfare states, such as Julia Lynch (2006) on pensions, and Kimberley Morgan (2006) on working mothers, similarly sustained the change-resistant «realist» perspective of political institutionalism, leveraged on the central concept of «increasing returns» that Pierson originally borrowed from economics.

For decades, welfare states have been hard pressed to adapt to new social and economic realities, triggered by successive economic crises, but also by demographic ageing, deindustrialization, technological innovation, the rise of the service sector, the feminization of the labour market, economic internationalization and European Union market integration, technological change, and intensified migration. In spite of mounting pressures for adaptation, the startling feature of the post-war welfare state concerns its indisputable resilience, even today. In the aftermath of the Great Recession, public spending on social protection, health and education matched levels reached in the 1980s. However, constant aggregate spending hides significant reallocations between the different policy programs that make up 21st-century welfare states today (Hemerijck 1993).

The emphasis on path dependency and policy inertia is both the strength and the weakness of institutional policy analysis. However deeply anchored, institutions are by no means invariable (Mayntz and Scharpf 1995; Scharpf 1997). Mounting European anomalies in the «new politics» conjecture of change-resistant welfare states have, since the turn of the new millennium, led European scholars associated with the tradition of historical institutionalism, to identify more transformative trajectories of welfare adjustment. A very influential research project in this vein found its way into the two-volume comprehensive study *Welfare and Work in the Open Economy*, edited by Fritz W. Scharpf and Vivien Schmidt (2000) in collaboration with many leading European welfare state scholars. The Scharpf and Schmidt research team observed how the twelve countries in their massive study varied enormously in the social reforms they undertook from the late 1970s. The challenge of intensified economic internationalization confronted each welfare regime family, supported by specific actor-constellations, with a distinct constellation of regime-specific adjustment syndromes and potential reform agendas. As *Anglo-Saxon welfare states* increased the scope of the free market and strengthened the selective nature of social programmes, there was growth in employment; the flipside of the success of the Anglo-Saxon «jobs machine» was a significant rise in income poverty. By contrast, the *Scandinavian welfare states* were best able to maintain a both generous and universally accessible system of social security through activating labour market policies. Problematically, *Continental welfare states* seemed caught in a negative spiral of high gross labour costs and rising economic inactivity. In *Southern Europe*, the Continental «inactivity trap» was exacerbated by the stringent regime of insider-biased labour market regulation, which intensified the exclusion of young people and, especially, women from the labour market. In short, similar pressures led to very different policy problems across different welfare regimes, which in turn triggered diverging politicized reform paths. In conclusion, Scharpf and Schmidt explicated that institutional characteristics shape the menu of feasible policy options, of which *Reformstau* is one likely outcome among many. Blame-avoiding politics and insider-biased reform opposition are not the only shows in town. Welfare regimes may shape impending social problems, but they do not determine policy responses. As such, the Scandinavian welfare state never really experienced the astute fiscal crisis that Esping-Andersen conjectured. Apparently, active labour market policies and family-friendly services help to sustain universal social security and fiscal revenue through high levels of employment. In the UK, under New Labour, a growth-oriented macroeconomic policy allowed for an expansion of needs-based tax credits for working families, thereby temporarily improving the plight of the vulnerable, however without significantly lowering inequality. The aftermath of the oil crises of the 1970s surely inspired the political compulsion for retrenchment, but the ensuing recession also triggered more balanced adjustment responses through social pacts, supported by organized wage restraint, in the smaller political economies of Denmark, Ireland, and the Netherlands. In the 1990s, exiting the labour market early, in response to structural adjustment, invoked a severe «inactivity trap» across Continental welfare states. This, in turn, revolutionized path-shifting reforms towards more inclusive public safety nets, active labour market policies and family service provision in the traditional male-breadwinner and female-homemaker welfare states of Germany, Austria and Spain. In the process, Christian democracy, the political family most wedded to the male-breadwinner welfare state, slowly but surely also endorsed high levels of female employment, gender equity values and dual-earner family roles, as it became evident that female employment warrants robust families (Hemerijck 2013).

In other words, American «hard core» path dependency, based on a coherent increasing returns logic and tightly-coupled institutional complementarities, ran aground on Europe's dynamic diversity, because of its inability to explain change and its insider-biased understanding of institutional actors, lacking any faculty to update cognitive, normative, and interaction orientations. While environmental changes alter the functioning of existing institutions, it is important to emphasize, they also modify the interests and preferences of relevant political actors and their relative power positions to (re)enforce their objectives. A few European researchers thus ventured to rehabilitate Hugh Heclo's focus on policy learning under conditions of relative austerity. For our comparative contribution to the Scharpf/Schmidt project, Martin Schludi and myself explicated how very often solutions to policy problems in one area, such as wage moderation in industrial relations, may generate new problems that must subsequently be dealt with in adjacent policy areas, such as dualization in social insurance provision, triggering political pressures to reform and expand employment services. Lateral spillovers, by implication, create the conditions and political demands for change across interdependent areas of social and economic regulation, potentially unleashing a cascade of incremental changes across an array of policy areas, ultimately resulting in a «cumulatively transformative» refashioning of interdependent welfare policy repertoires over time (Hemerijck and Schludi 2000; see also Visser and Hemerijck 1997). Preparing the ground for social policy reorientation is often attributed to expert committees and advisory councils. Cases in point are the 1993 Buurmeijer Commission in the Netherlands, which prepared the overhaul of the Dutch social insurance administration; the 1997 Swedish non-partisan expert pension reform committee, whose recommendations formed the basis of Swedish pension reform in 1998; and the 2002 Hartz Commission that precipitated Gerhard Schröder's Agenda 2010 (Clasen and Clegg 2011).

Today, European welfare state researchers, including Maurizio Ferrera (2005), Silja Häusermann (2010), Joakim Palme (2003), Bruno Palier (2010), Jochen Clasen (2005), and many more, readily acknowledge the transformative and multidimensional nature of contemporary welfare reform. In the early 2000s, Maurizio Ferrera and I developed the multidimensional concept of welfare recalibration to trace social policy change in the aftermath of the post-war golden age (Ferrera and Hemerijck 2003). Welfare recalibration refers to policy initiatives that aim to transform the welfare state into a new configuration or *Gestalt*, far beyond core social security, with the intent of better coping with the adaptive challenges of intensified international competitiveness, relative austerity, and demographic ageing. We conceptualized an empirically grounded, multidimensional heuristic of welfare recalibration from a policy learning perspective. This suggests that reform decisions to improve policy performance nearly always pass through instances of *cognitive* assessment, *normative* judgement, *distributive* bargaining, *institutional* (re-)design, and *referential* exemplification.

Functional recalibration concerns the changing nature of social risk and the kinds of interventions that are required to effectively address it. *Distributive recalibration* involves the rebalancing of welfare provision across policy clienteles and organized interests, i.e. how gains and losses associated with reform are distributed across social risk groups. *Institutional recalibration* relates to the ongoing rescaling of welfare provision; both downward from the nation-state to subnational tiers of regional and city social service provision, and upward to the European level in laying down the macroeconomic parameters of domestic welfare provision. As the welfare state is based on the idea of a social contract, with citizen claims on equity, inclusion, and fairness, *normative recalibration* pertains to the changing normative orientations, values, and discourses, emerging from the perceived incongruence between the broad values, including gender-family roles, underpinning existing programs and adaptive pressures. Finally, *referential recalibration* refers to policy makers' ability to «borrow» effective welfare policies from other countries and muster domestic political legitimacy in an ever more competitive policy environment. At any point in time, all five dimensions of welfare recalibration can be contested politically. Actors wishing to push through reform have to be willing to confront opponents by suggesting that their (*distributive*) resistance is problematic for reasons of (*functional*) effectiveness and (*normative*) fairness in the political sphere. Ultimately, to be successful, reformers have to build political consensus (*institutional*) to gain support for proposed reforms, using foreign (*referential*) examples to portray light at the end of the tunnel (Hemerijck 2013).

3. From political «process-tracing» to engaged social investment «process-making»

Ever since the mid-1990s, a fair number of European comparative welfare scholars, steeped in the tradition of political institutionalism, have been consulted to provide policy advice on welfare reform, especially in relation to the widening and deepening European economic integration since the mid-1980s. For myself this started in the Netherlands in 1996, when

I was working with Jelle Visser on *A Dutch Miracle: Job Growth, Welfare Reform and Corporatism in the Netherlands* (1997). Civil servants from the Ministry of Social Affairs and Employment were working on a comparative study on the welfare performance of the Dutch political economy for which they sought my feedback. Next, I was asked to write a lengthy essay on *Social Policy as a Productive Factor* (1997) for a high-level policy conference under the Dutch Presidency of the EU. The intention of the conference was to correct the lopsided view that comprehensive social policy provision burdens economic competitiveness, with the Dutch miracle as a good-news example. For the Dutch government in 1997, led by the social democratic Wim Kok, it was quintessential to show the deep correlates of a strong economy and inclusive social policy. This surely was a primary objective of Jacques Delors, as former President of the European Commission (1985-1995), who chaired the conference. Other political figures were Dutch ex-premier Ruud Lubber and EU Director-General of DG Employment and Social Affairs and ex-finance minister of Sweden, Allan Larsson. Esping-Andersen and Tony Atkinson, a leading expert on income inequality from Oxford University, were the keynote academics on the program. Not yet elected as prime minister, Tony Blair made a dinner speech in the Rijksmuseum in front of Rembrandt's restored Night Watch painting, congratulating Wim Kok on the success of the Dutch polder model of capitalism with a human face. Ultimately, my essay *Social Policy as a Productive Factor*, weaving together arguments made at the conference, was recognized, by Allan Larsson and the Dutch Labour and Social Affairs minister Ad Melkert, as an important source of inspiration for the Employment Chapter in the Amsterdam Treaty. As an academic, I was struck how interested key policy makers were in policy-relevant academic contributions to strategic questions on welfare provision for a strong economy.

Since the mid-1990s, the default background policy theory has been based on an accepted OECD diagnosis. In 1994, the *OECD Jobs Study* launched a critical attack on the «dark side» of double-digit unemployment figures in many European OECD member states (OECD 1994). Hovering around 10 per cent, unemployment rates in France, Germany, and Italy were twice as high as in the USA. The OECD economists argued that Europe's generous welfare states, with their overprotective job security, high minimum wages, generous unemployment insurance, heavy taxation, and overriding emphasis on coordinated wage bargaining and social dialogue, had raised the costs of labour above market clearing levels. The OECD thus portrayed the fundamental dilemma of Europe's mature welfare states in terms of a trade-off between welfare equity and employment efficiency.

By the end of the 1990s, growing political disenchantment with the neoliberal diagnosis began to generate electoral successes for the centre-left. Newly elected European social democrats such as Tony Blair, Gerhard Schröder, Wim Kok, and Poul Nyrup Rasmussen, all of whom strongly believed that European welfare states had to be transformed from passive benefits systems into activating, capacity building, social investment states. The activating welfare policy platform was intellectually spearheaded by Anthony Giddens' 1998 book *The Third Way: The Renewal of Social Democracy* (Giddens 1998). By the late 1990s, Third Way ideas had found their way to the European Commission, reinforced by activating welfare reform successes in Denmark and the Netherlands.

In 1998, Maurizio Ferrera and Martin Rhodes independently convened the European Forum on *Recasting the Welfare State* at the European University Institute (EUI). Intellectually, the Forum proved to be an important breeding ground for the U-turn in comparative welfare state research: from explaining institutional inertia per se to a more open research agenda of explaining variegated trajectories of welfare state change in times of intense socioeconomic restructuring. The «recasting» metaphor was carefully chosen so as to capture the institutionally bounded nature of the reform momentum, leading to a patchwork of old and new policies searching for greater coherence. On a number of occasions over the tenure of the European Forum, policy makers were invited to discuss our academic output. During one of the these high-level policy dialogues, Maurizio Ferrera and Martin Rhodes were approached by Portuguese officials from the Ministry of Labour to write an agenda-setting policy report for Lisbon Summit in 2000. Maurizio and Martin asked me to join the team, as I was in part responsible for the comparative conclusion for the Scharpf/Schmidt project on *Work and Welfare in the Open Economy*. We wrote a small volume titled *The Future of Social Europe* (2000), which highlighted the productive importance of 21st-century welfare «recalibration» and the merits of the «open method of coordination» in fostering cross-country policy learning. In hindsight, the European Forum on *Recasting the Welfare State* created an «epistemic community» *avant la lettre*. Jonathan Zeitlin, who coined the term recalibration at the Forum, subsequently became the world expert on the «open method of coordination» (OMC). Maurizio Ferrera, Martin Rhodes and myself presented our ideas of welfare recalibration in Lisbon in March 2000, with Tony Giddens, Fritz W. Scharpf, David Miliband and Frank Vandenbroucke, Federal Minister of Pensions and Health Care from Belgium, present.

The 2000 Portuguese presidency of the EU put forward an integrated political agenda of economic, employment and social objectives, committing the Union to becoming the «most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion». The Lisbon Agenda revamped the notion of positive complementarities between equity and efficiency in the knowledge-based economy by «investing in people and developing an active and dynamic welfare state» (European Council 2000). This broadened the notion of social policy as a productive factor beyond its traditional emphasis on inclusive and activating social protection, to include social promotion and improvement of lifelong education and training.

For the Belgian presidency of the EU that commenced in 2001, Frank Vandenbroucke, eager to build on the Lisbon Agenda's social ambitions, invited a group headed by Gøsta Esping-Andersen, including myself, to draft a bold report on a «new welfare architecture for 21st-century Europe», later published under the title *Why We Need a New Welfare State* (2002). For Vandenbroucke, a towering intellectual of the active welfare state movement in European social democracy, fundamental changes in the economy and society called for pathbreaking social policy innovation (Vandenbroucke, 1999). The assignment he gave to Esping-Andersen and colleagues was to rethink the welfare state for the 21st-century, so that «once again, labour markets and families are welfare optimizers and a good guarantee that tomorrow's adult workers will be as productive and resourceful as possible» (Esping-Andersen *et al.* 2002, p. 25). Our report and subsequent book set a policy agenda for social investment that we felt went deeper than Tony Giddens' conception of an active welfare state functioning as a trampoline rather than a safety net. In our work for the Belgian Federal government, Gøsta Esping-Andersen, Duncan Gallie, John Myles, and myself, emphasized – contra the Third Way – that social investment is no substitute for inclusive social protection. Adequate minimum income protection we held a critical precondition for any effective social investment strategy. The overarching social investment imperative was to prepare individuals, families, and societies to pre-empt various risks rather than simply repair damage after misfortune engenders individual and social costs (Esping-Andersen *et al.*, 2002, p. 5).

The core diagnosis of our work was that economic internationalization, technological innovation, demographic ageing, and changing family structures in the post-industrial age increasingly foster suboptimal life chances for large parts of the population. *Why We Need a New Welfare State* volume not only took issue with the neoliberal axiom that generous welfare provision inevitably leads to a loss of economic efficiency. We were equally critical about the staying power of male-breadwinner, pension-heavy and insider-biased welfare provision in many European countries; arguing that it contributes to stagnant employment and long-term unemployment, in-work poverty, labour market exclusion, family instability, high dependency ratios and below-replacement fertility rates. We underlined that central to the long-term financial sustainability of the welfare state is the number (*quantity*) and productivity (*quality*) of current and future employees and taxpayers. To the extent that welfare provision in a knowledge economy is geared towards maximizing employment, employability and productivity, this sustains the so-called «carrying capacity» of the modern welfare state. The *work-family life course* was singled out as the «lynchpin» of the social investment policy paradigm. *Why We Need a New Welfare State* called for social investment policies geared towards improved resilience over the family life course, with special attention placed on avoiding career interruptions for women with small children and promoting dual-earner families, alongside gender-equal parental leave. Lengthier, more diverse and volatile working lives harbour important implications for social policy. People are most vulnerable over critical transitions in the life course: (1) when they move from education into their first job; (2) when they aspire to have children; (3) when they – almost inevitably – experience spells of labour market inactivity; and, finally, (4) when they move to retirement. To the extent that policy makers are able to identify how economic wellbeing and social problems during such transitions in the life course impinge on individuals, preventive policies should be advanced to forestall cumulative social risk and poverty reproduction. The eradication of child poverty should be a key goal, alongside ensuring more continuous female careers. The social investment approach hereby tilts the welfare balance from *ex post* compensation in times of economic or personal hardship to *ex ante* risk prevention through: early child education and care (ECEC); education and training over the life course; (capacitating) active labor market policies (ALMP); work-life balance (WLB) policies, such as (paid) parental leave, flexible employment relations and work schedules; and lifelong learning (LLL).

By 2005, social democrats had been voted out of office in the larger Member States of the EU, except in Britain. Unsurprisingly, at this juncture, the Lisbon Agenda was criticized by a mid-term review for its lack of strategic focus and the multiplication of objectives and coordination processes; it was relaunched under the title *Working Together for Growth and Jobs* (European Commission 2005). Social inclusion concerns and poverty reduction were not sidetracked, but they were once more subordinated to the reinforced priorities of growth and jobs. By the mid-2010s, however, the OECD changed cognitive direction, away from the neoliberal retrenchment and deregulation that had characterized the *Jobs Strategy* publications of the 1990s, to fully endorse the social investment perspective with studies such as *Starting Strong* (2006), *Babies and Bosses* (2007), *Growing Unequal* (2008), and *Doing Better for Families* (2011).

Absent policy engagement, I myself was able to concentrate more empirically on the extent to which EU member states had jumped on the social investment bandwagon. By 2013, I had to concede that the glass was more half-full than half-empty in my monograph *Changing Welfare States*. The main takeaway from the book was that the evidence of social investment returns had only become stronger in the decade leading up the global financial crisis. Strong and competitive European welfare states, with levels of social spending hovering between 25% and 30% of GDP, are best at achieving high employment, subdued poverty, and healthy public finances, suggesting that axiomatic disincentives associated with the neoliberal critique of the 1980s and 1990s are in effect dangerous myths. At the macro level, I was able to establish positive interaction effects between labour productivity and employment participation. Moreover, the shift towards social investment, in terms of spending, proved to be unaffected by the redistributive strength of the welfare state, indicating that social investment services, childcare, and educational benefits may smooth gaps in income distribution.

In 2012, László Andor, Commissionar for Employment, Social Affairs and Inclusion of the European Commission from 2010 to 2014, approached me to join the Social Investment Expert Group for DG Employment and Social Affairs, together with Maurizio Ferrera, Bruno Palier, Frank Vandenbroucke and others. I was prepared to supply evidence to the EU's most recent assertive embrace of social investment, the *Social Investment Package for Growth and Social Cohesion* in 2013. Next, DG Employment asked Brian Burgoon and I to further conceptualize social investment returns in a more concrete way so as to allow for micro-level statistical testing (Hemerijck *et al.* 2016). We were able to demonstrate how ALMP and ECEC, as exemplar social investments, positively relate to an individual's employment while mitigating household poverty, using individual-level data from Eurostat and EU-SILC. When our report was published, Marianne Thyssen, a Belgian Christian democrat, had taken over from Andor as Social Affairs Commissioner. She did not fully embrace social investment, partly because she wished to dissociate herself from her social democratic predecessor. At the same time, many more countries had jumped on the social investment reform bandwagon; looking at child care, active labour market policy, parental leave, dual-earner family services and long-term care. By 2016, the Commission's social agenda was again refocused on social investment, on the initiative of the cabinet of Commission President Juncker, with the Pillar of Social Rights. Allan Larsson, the staunch defender of «social policy as productive factor» from the Lisbon era, saw to it that out of the twenty principles articulated in the 2017 Pillar of Social Rights, about a quarter were anchored on a social investment logic, while shifting the normative portent of social investment away from economic efficiency per se to social justice and fairness. By 2019, the Employment and Social Developments in Europe Report of the Commission devoted a special feature to social investment policy progress in an empirically even-handed manner (European Commission 2019).

Practical involvement in social investment agenda-setting across the EU taught me four key lessons. First and foremost, responsible policy makers are aficionados of reform ideas and policy analysis. The emphasis on social investment started with the political imperative of Third Way leaders to explore policy alternatives for the dire ones on offer by the OECD. They found important cues in the writings of the late Tony Atkinson, Gøsta Esping-Andersen, Maurizio Ferrera, myself and others. An additional advantage of our comparative diagnoses and policy suggestions was that they recognizant of the variegated social and institutional conditions across the EU, factors that were given little weight by mainstream economists with their preference for generalization. The more linear studies of the OECD, ranking countries on numeric indicators from good to bad performers, lacked any serious reflection on how reform successes and failures come together institutionally through political interaction over policy complementarities. Also our multidimensional conception of welfare recalibration allowed us to engage with a normative agenda of policy improvement in terms of mitigating poverty and inequality while raising (female) employment through social investment welfare provision.

A second lesson is that the European Commission, especially DG Employment, should be given credit as a central «ideas broker» in the saga, courageously raising the stakes for social investment even at times when the available evidence was not as strong as it is today. Ever since 1997, the Commission has helped to anchor the social investment edifice, from the stepping stones in the Lisbon Agenda of 2000 to a fully-fledged welfare paradigm with the publication of the Social Investment Package in 2013, whose recommendations were ultimately codified into the 2017 Pillar of Social Rights.

On a less sanguine note, a third lesson is that Eurozone members in dire fiscal straits since the Great Recession continued to be perversely obliged to cut active labor market policies, vocational training, and family and childcare services. From a social investment perspective, we know this critically erodes job opportunities for men, women, and youth, resulting in higher levels of child poverty and declining levels of fertility, hence undermining the carrying capacity of the welfare state to shoulder the future ageing burden.

Academically, fourth and finally, at least for myself, intellectual engagement with policy makers invoked a lasting effect on theories and methods of knowledge production, with a strong attention and appreciation for latent possibilities in highly diverse policy environments, ready to be exploited by reformers, despite equally relevant institutional constraints between domestic politics and EU integration.

4. Welfare state studies still a refuge of inter-disciplinary research?

Evidently, there is an inescapable European touch to comparative welfare state research! Perhaps, its spirit has best been captured by Albert O. Hirschman – a transatlantic intellectual par excellence – when he urged comparative political economy researchers in the early 1980s to bring to the fore «a little more reverence for life, a little less straight-jacketing of the future, and a little more allowance for the unexpected» (Hirschman 1981, p. 85). There is a price tag, however, attached to an open institutionalist research agenda, with its emphasis on political interaction and policy complementarities in a non-determinist fashion, and that is the lack of «hard core» theory and methods, which remain a core strength in the more realist American institutionalist tradition. In their review on welfare state research in Europe for the 2016 *Oxford Handbook of Historical Institutionalism*, Julia Lynch and Martin Rhodes underscore the importance of a coherent research program to demarcate political institutionalism from other kinds of research on the welfare state. Rhodes and Lynch, respectively co-convener and fellow of the EUI European Forum on *Recasting the Welfare* State, curiously fail to cite Maurizio Ferrera's work on Southern Europe and his 2005 landmark study on two-level EU social policy change. Also, there is no mention of the seminal 2000 Scharpf/Schmidt volume, to which also Rhodes contributed. In their defense, however, it can be argued that Ferrera's *The Boundaries of Welfare* and the Scharpf/Schmidt volume *Work and Welfare in the Open Economy* lack a well-defined theoretical «hard core» with a distinct methodology which Lynch and Rhodes hold as definitive for any viable research program. But should the strength in theory and methodology not ultimately be judged by empirical validation? What Ferrera, Scharpf and Schmidt brought into the limelight was that the «new politics» of «frozen» welfare states, when taken too far, offers little empirical purchase on the complex processes of profound post-formative welfare state change across Europe since the 1990s.

Social reform is difficult, but it happens. In the new millennium, the academic focus in European comparative welfare state research shifted assertively from change-resistant welfare states to probe a more open institutionalist explanation of how welfare states in effect do change over time and in what direction, while taking on board progressive EU economic integration. We obviously live in a world of path-contingent solutions, but institutional density does not preclude transformative welfare change. In recent years, somewhat paradoxically, I have come to concede that perhaps a fundamental reason why social investment reform took off so swiftly in Austria, Germany and the Netherlands, countries with strong male-breadwinner policy legacies, indeed lies in the political predicament that welfare retrenchment is difficult in countries where compensatory precommitments, especially in the area of pensions, are so vast. When benefit retrenchment is difficult, it is my contention, in tune with Heclo and in contrast to Pierson, that fiscally responsible governments are inadvertently forced to explore new reform alternatives in a policy-learning fashion. To the extent that social investment reforms subsequently raise employment participation and labour productivity, and, by implication, do not reign in standing commitments per se, they position the carrying capacity of expensive yet popular welfare states on a more sustainable fiscal footing. It could thus be argued that high-spending Continental welfare states entertain a «productive constraint» that institutionally privileges upward social investment recalibration, precisely because intrusive retrenchment reform is politically impeded by comprehensive benefit commitments. Later, as social investment policy profiles become institutionalized, they in turn create their own clienteles, which may drive up quality standards in capacitating social services, as in social insurance provision over the post-war decades. As such, social investment recalibration may effectively place fairly manageable demands on political leadership to build coalitions on a platform of what Giuliano Bonoli aptly coins «affordable credit-claiming» (2013).

I must concede, in the final analysis, coming back to the interdisciplinary portent of comparative welfare state research today, that there are dark clouds on the horizon. Over the past decade, both the institutional factor and the diachronic (inter-)temporal dimension in comparative welfare state research have lost intellectual allure in the face of a strong comeback of behaviouralism both in Europe and the US. Scholars advocating «sociology as a population science» together with political scientists behind the so-called «electoral turn» have shifted attention to bottom-up individual-level social mechanism and electoral behaviour to be tested through rigorous statistical analysis on the basis of survey research and experiments. There is a distinct departure from the core institutional insight that «policy shapes social politics», as scholars under the «electoral turn» assume parties respond in a synchronic short-term fashion, congruent to electoral preferences, harking back to the pre-institutional reductionist presumption that «politics creates policy».

The behaviouralist «electoral turn» has shifted the intellectual focus from explaining «trajectories» of welfare policy change and continuity across countries, supposedly towards an improved understanding of voter appreciation of available policy options. As elections become ever more contested, the background assumption is political parties are increasingly prone to propose policies that cater after constituent electorates, using survey data. Accordingly, a novel post-industrial electoral cleavage structure is emerging between the «new» middle-class favoring social investment policies and the «old» working class electorate bent on more traditional social consumption policies (Beramendi *et al.* 2015). It must be recognized that however much research under the umbrella of the «electoral turn» has been able to illuminate some of the electoral constraints facing political parties today, and especially social democratic ones, to date there is little explanatory purchase on welfare reform that democratic governments have been engaged in.

I remain skeptical to any understanding of electorates, and even political parties, as the prime movers of social reform. Parties may strategically select policy positions to target core voters, but once in office, they can no longer ignore standing policy legacies, levels of public debt, pension outlays, institutional capabilities of their bureaucracies, differences in political systems and industrial relations, altogether delineating the configurational «downstream» opportunity set of government reform entrepreneurs. Moreover, as Alan Jacobs (2011) reminds us, «electoral turn» scholarship focuses narrowly on cross-sectional contestation: on how social policies distribute gains and losses across electoral groups and classes. A majority welfare policy decisions, however, involve political choices over how resources are to distributed over time, between present and future cohorts, inter-temporal decisions about how social investments in children today bolster pension system in the future. While the overall macro evidence indeed suggests that pensions are more sustainable in social investment welfare states, such a survey question inescapably creates «false necessities» in the empirical results, being based on an unforgiving social construction. Moreover, in an age of negative interest rates, there is not even a time-inconsistency between social investment and pension spending.

To the extent that policies are important levers and signifiers of change, shying away from policy complementarities and institutional background conditions, impoverishes our understanding of the dynamics of welfare reform which have surely intensified since the Great Recession. An illuminating example of the electoral turn can be found in the commanding book *Democracy and Prosperity: Reinventing Capitalism through a Turbulent Century*, by Torben Iversen and David Soskice (2019), erstwhile core Varieties of Capitalism scholars. However much I share their understanding of capitalism and democracy in symbiotic terms, that is to say that welfare provision conjures up the social foundation of liberal democracy, I take issue with anchoring the stability of this symbiosis straightforwardly in middle-class electorates. Following Iversen and Soskice there is no longer a need to seriously study the administrative capabilities of the state, curiously at a time when about 40% of GDP is being channeled through the public purse, as we can simply infer that «those with high education and income may simply understand the constraints on government better than others» (Iversen and Soskice 2019, p. 25). On this inference they cite as an obvious example «the need for countercyclical fiscal policies» (p. 25). The experience of the Eurozone crisis, however, surely suggests a different, more institutional, explanation. With Mario Draghi at the helm of the independent ECB, an institutional actor par excellence, the euro was saved through heterodox negative interest rates and large-scale sovereign debt purchases, which effectively brought the Eurozone unemployment spike to a halt. A less sanguine institutional predicament is that the need for a euro-area fiscal capacity of adequate size and design to further stabilize the monetary union fell on deaf ears in Germany, Finland, and the Netherlands. Draghi's vow to do «whatever it takes» surely raised the appreciation for counter-cyclical ideas, but I am doubtful that middle-class electorates across Europe understand EMU monetary and EU fiscal policy in times of lowflation and negative interest rates.

There is another intellectual silver-lining, although not one to be cheerful about. The Covid-19 pandemic already triggered an intrusive return of a competent state, including central banks, as the major political actor in managing the imminent health crisis, the subsequent lock-down to mitigate contagion, anticipatory buffering against the impending recession, financed on the wing of massive fiscal expansion, on the basis of strong normative premises of fairness in times of need. The Covid-pandemic may conjures up the revival of a competent state advancing the welfare of all citizens, very different from the partisan government, opportunistically catering after volatile electorates, as depicted in the «electoral turn». As such, the most recent developments compel welfare state scholars that have remained skeptical of social science reductionism in the search for truth in ahistorical terms, after the late Hirschman, to incessantly respect, bring forth and emphasize the consequential importance of the «unexpected» in welfare state futures, in line with an open institutionalist research agenda. The Covid-19 crisis has only reinforced my acumen to explain institutional variation of «middle range» interplay across different levels of governance, with consequential outcomes in terms of macroeconomic performance with micro-level distributive correlates and welfare-regime specific reform trajectories over lengthier chains of causation, in a path-contingent possibilist – not predetermined by any one cause – fashion, in a conviction to outlive the behaviouralist counter-revolution, as the latter promises more than it can deliver in hard times.

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Comparative welfare state research in a bind?

Summary: Comparative welfare state research is inter-disciplinary par excellence! Relative geographical proximity to objects of scientific inquiry, however, invoked subtly diverse traditions of research on EU welfare states on both sides of the Atlantic. This article surveys the rise of social science institutionalism to paradigmatic hegemony in the field of comparative welfare state research since the late 1980s, while highlighting the European twist to welfare state research in comparison to American approach on the same topic. What stands out for the EU context is that, since the 1990s, a number of European welfare scholars engaged with EU institutions and national governments in social investment agenda-setting. Academically, American research maintained the upper hand on theory and methods. Open institutionalism in empirical research (and policy advice) continues to prove indispensable to effectively exploring and explaining transformative two-level European social policy change over the past two decades. However, despite a robust empirical research track record, welfare state open institutionalism has recently had to face a revitalized behavioralist counter-revolution in both sociology and political science. The outbreak of the Covid-19 pandemic, and its associated strong comeback of the competent state as a core political agent, is seemingly giving open institutionalism a new lease in academia.

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