

**Policy reforms and discourses in social assistance in the 1990s. Towards 'activation'?**

*(announced as: Paradigms and social assistance reforms in Europe in the 1990s)*

(still in a draft version; comments are very welcome)

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## *Introduction*

Social assistance schemes have received more attention in the general welfare state reform debate since the early 1980s. For most of the time after WW II social assistance schemes had been perceived as a residual and declining branch of the overall welfare system. Social inclusion was meant to be achieved through full and life-long employment by the male breadwinner, expanding social insurance systems which increasingly included the whole population and stable family structures (Therborn 1995; Crouch 1999). Indeed, most of the West-European countries achieved these goals and the scope for social assistance - where it was already established - as a scheme of last resort was limited. Other countries, particularly in Southern Europe, lacked this kind of scheme.

Since the 1970s the traditional pillars for social inclusion have been eroded: unemployment has been increasing in virtually all societies, the transition from an dominantly industrial to a service sector economy has changed employment patterns giving way to more flexible and non-standard employment and the individualisation of life-courses led to more fluent family patterns which transformed the traditional reliance of women and children on a male breadwinner. These structural changes shaped new social risks that were not or only partially met by the traditional welfare state arrangements (Esping-Andersen 1999; 2002; Taylor-Gooby 2004). Accordingly, an increasing number of people had to - as far as they were entitled to - claim social assistance and in almost all West European countries the social assistance schemes were perceived as being in need of reform and reform proposals became an issue in the political discourse.

The reform discourse and the actual reforms have been dominated by the link between work and social assistance (Heikkilä 1999; Heikkilä et al. 2001; Hanesch 1999; Lodemel/Trickey et al. 2001; Peck 2001). In the context of a general modernisation of the welfare state in order to make it more employment friendly it is claimed that the social assistance schemes have to be reformed as well. However a look at the relevant literature shows that there are diverging interpretations of the actual reform processes.

On the hand there is a strand of literature arguing that we are facing a transition from a Keynesian welfare state to a Schumpeterian workfare regime (Jessop 1993, Peck 2001; Torfing 1999). A crucial element of the change is meant to be the replacement of welfare benefits as a matter of social right by workfare programmes which oblige claimants to work

for their benefits (*workfare*). Bob Jessop has argued in his early publication in a rather functionalist way that the fundamental changes in the mode of production - from a fordist to a postfordist mode of production - is the major force for the transition. Peck (2001) and Torfing (1999) delivered empirical insights into the political factors at work (Peck for the US, Can and UK and Torfing for DK) and argued that a change of the dominant discourse has to be analysed as one important element of the explanation.

Lodemel and Trickey published a collaborative volume on the spread of workfare programmes in several countries. Thereby they reduced the issue from a general transition of the basic character of the welfare state to the concrete question in how far workfare programmes have been established in different countries. They defined workfare as programme which "requires people to work in return for social assistance benefits" (Lodemel/Trickey 2000: 6). They concluded that for some groups - in particular young people - universal compulsory schemes with workfare character have been introduced in DK, the NL and the UK, but less so in the other countries they analysed (F, G, NW). They therefore highlight different social and political conditions for the introduction of 'workfare' schemes.

Finally, Eardley et al. (1996a) concluded in their extensive study of social assistance schemes in the OECD countries that the discourses and policy agenda in the early 1990s are to a large extent reflecting the effectiveness, the holes and contradictions of the existing systems. Their argument comes close to the arguments of political institutionalists who stress 'path-dependent' developments (Pierson 2000). More specifically the discourse in South Europe was preoccupied by the need to build up systems of social assistance in order to fill gaps in the existing welfare arrangement, the Scandinavian countries have been less concerned with poverty but with social inequality in general, the countries in continental Europe have been focusing on the 'new' poverty and it has been only in the Anglo-Saxon countries that there has been a dominant discourse on the unintended consequences of social assistance as creating 'dependency' and 'work disincentives'.

In the paper we are going to analyse reforms of the social assistance scheme in the 1990s for a number of countries. As the relationship between work and social assistance is the most disputed issue in the reform debate we are focusing on the general assistance schemes for unemployed and workless persons. We use the term 'social assistance' to refer to public, means-tested and tax-financed transfers and services for people in need. Our paper is confined to social assistance schemes targeted at people in a working age. We will discuss continuity and change on two levels: reforms of social assistance policies and the discourses on social

assistance. Even though we are well aware that institutions and interests play a major role in the politics of welfare reform we argue that the analysis of ideas and discourses may contribute to the understanding of the overall process of welfare reform (see Daguerre/Taylor-Gooby 2002: 14-5). This is particularly true where (1) institutional and political change is taking place and (2) where major political actors are changing their political orientations and thus the contents of their interests. The paper builds to a very large extent on the collective work of the EU-funded project WRAMSOC (Welfare Reform and the Management of Societal Change). Members of the project have provided extensive report on the systems in operation and their changes over time as well as interviews with political actors on reform processes and ideas.<sup>1</sup>

### ***Social assistance schemes and policy reforms in the 1990s***

#### *Social assistance schemes in comparative perspective*

Social assistance schemes are part of the overall welfare regime in which they are embedded. The role and salience of social assistance as a 'scheme of last resort' with the primary task to avoid poverty is to a large extent determined by the inclusiveness of the labour market and by the comprehensiveness and the generosity of the primary welfare institutions. Esping-Andersen has used the degree of reference to social assistance and 'poor relief' as a major distinguishing dimension in his typology of the "three worlds of welfare capitalism" (Esping-Andersen 1990; 1999). In all dimensions he uses to construct his typology - the level of de-commodification<sup>2</sup>, the welfare state as a system of stratification and (less so) the interplay of state, market and family - the role of social assistance is one crucial element for his distinction between liberal, social democratic and conservative welfare regimes. For these reasons we start by classifying our countries along the ideal-types as proposed by Esping-Andersen.

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<sup>1</sup> The members of the WRAMSOC research project are all listed on the WRAMSOC homepage at the university of Kent (<http://www.kent.ac.uk/wramsoc>). On this internet site the policy maps and further information provided by the group are available. We appreciate the input of all members of the WRAMSOC team. A first effort to come to grips with the complex issue was presented at a WRAMSOC workshop in Berlin in April 04. We would like to thank participants for their input, in particular Valeria Fargion for her comments.

<sup>2</sup> It is worth recalling the definition of de-commodification by Esping-Andersen as it was not only an analytical tool to categorise welfare regimes but also a normative indicator of its quality: "A *minimal* definition (of a de-commodifying welfare state, authors) must entail that citizens can freely, *and without potential loss of job, income, or general welfare*, opt out of work *when they themselves consider it necessary*" (1990: 23, emphasis added). It may be argued that our paper deals with the erosion of these standards in the social assistance scheme.

However we agree with Ferrera and others that the typology has to be extended by a fourth type represented by the South European countries (Ferrera 1996). The extension is particularly convincing when looking at the welfare regime from the perspective of poverty policy and social assistance (Leibfried 1992). While the typology of Esping Andersen is useful in describing the overall character of a welfare regime an analysis of the social assistance schemes in comparative perspective needs a further elaboration of the scheme itself. As Eardley et al (1996a, b) in their major study on social assistance in the OECD demonstrate there is a huge diversity in the relative importance and organisation of these schemes (see tables 1 and 3).

Table 1: Major institutional features of the social assistance schemes

	Access to PES	Benefit level				Administration		
		I 1992	Max. soc. ass. (net) monthly (US \$ in ppp) 1999			rights vs. discretion	Benefit unit	Administr. level
			Single	Couple 2 ch.	Lone p. 2 ch.			
Sweden	Yes	77	673	1178	980	2.5	Family	Local/nat
Finland	Yes	78	702	1338	1105	3	Family	Nat/local
UK	Yes	42	793	1569	1387	3	Family	Nat
Switzerland	No	86	1114	1826	1665	1	Household+ others	Local
France	Yes	43	332	660	568	3	Family	Nat/local
Germany	Partly	44	565	1284	1264	2	Incl. defined relative	Fed/state
Spain	No	77	310	547	488	1	Family	Local/nat

*Notes:* Access to PES: Hanesch 2001 and WRAMSOC reports. Benefits: Benefit I: Disposable incomes of social assistance recipients as percentage of same household type where the head is earning average male earnings after housing, Eardley et al 1996; Max. soc. ass.: Maximum net income under social assistance, social assistance + supplementary benefits (family, housing and lone parent benefit) + taxes, OECD 2002: 24; Administration features (all: Eardley et al 1996): Rights vs. Discretion (legal entitlement degree): 1: full discretion by officials; 3: virtually no discretion and effective appeals, 2: in between; Benefit unit (Family obligations): Unit whose resources are taken into account when applying the means-test; Legal and administrative framework (degree of centralisation): Schemes which are uniform and those that have regional variations.

Sweden and Finland are generally accepted to represent the social-democratic type of welfare regime. The welfare state is characterised by its strong commitment to full employment for men and women, a universal system of minimum benefits with income-related top-ups and a public social service sector providing social infrastructure. In contrast to liberal regimes the social-democratic regimes stress the public responsibility for achieving equality and social

inclusion (Esping-Andersen 1990, 1999; Timonen 2003a).<sup>3</sup> Within this general framework social assistance is "residual but citizenship-based" which means that social assistance is responsible for short-time emergency cases. General social risks are to be covered by primary institutions (Eardley et al. 1996a, b). All citizens in need are covered by a single general scheme that grants a legally enforceable right to social assistance (*Social Bistand* in Finland and *Socialhjälp* in Sweden). The rights are established in a national framework law, which is implemented with some discretion by the municipalities. Benefits are rather high but conditional on a strict means-test (see table 1; OECD 1998; Kazepov/Sabatinelli 2001).

The UK represents the liberal type of welfare regime which is characterised by its strong emphasis on liberal values such as self-responsibility and a strong believe in the market. The core elements of the liberal regime are (1) its residuality, which means that programmes are often means-tested and targeted at the poor, (2) its restrictiveness in what constitutes a ‚social‘ risk that should be covered by public institutions; and (3) its encouragement of the market as provider of social welfare (Esping-Andersen 1999: 74-77). Eardley et al (1996a) confirm the constitutive element of social assistance. Social assistance recipients represented in 1992 about 15% of the overall population and the expenses amount to one third of the overall social expenditures (see table 3). The scheme itself, Income Support - since 1996 Job Seekers Allowance for able-bodied claimants - is characterised as being „a large, national, general programme providing an extensive safety net at around social insurance levels“ (Gough et al. 1997: 36). It is organised and administered by the Benefit Agencies (BA) on behalf of the central government, highly formalised and codified as a legally enforceable right. In contrast to most other countries municipalities play only a marginal role in the system. Overall, the system is characterised as an „integrated safety net“ (Eardley et al 1996a; OECD 1998). The benefit level is quite high.

Germany and France are usually referred to as conservative welfare regimes which are characterised by their strong emphasis on social insurance systems with the primary task of status-maintenance for the male breadwinner (*Bismarckian system*), a low degree of de-familiarisation and a bias of income-transfers against social services (Esping-Andersen 1990; 1999). Eardley et al. (1996a) characterise the social assistance schemes in both countries as 'dual social assistance' because in France there is a strong reliance on categorical schemes

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<sup>3</sup> In the words of Esping-Andersen: „What, then, is uniquely socialdemocratic, is firstly, the fusion of universalism with generosity and secondly, its comprehensive socialisation of risks“ (1999: 79)

while in Germany there is a distinction between general assistance (HLU, *Hilfe zum Lebensunterhalt*) and special assistance for people in need of particular social or institutional services (HLB, *Hilfe in besonderen Lebenslagen*). However, this categorisation ignores a major difference. While Germany had established a general assistance scheme (*Sozialhilfe*) guaranteeing a legal right for benefits already in 1961 there was no such scheme in France before the end of the 1980s. The French system of social assistance consisted of categorical schemes for specified social groups and resembled therefore much more the South European countries. Only in 1989 the RMI (*Revenu Minimum d'Insertion*) was introduced as a general scheme (see below). The RMI is still rather selective as it excludes those persons younger than 25. The social assistance schemes in both countries play only a subordinate role in the overall welfare architecture and they are administered at the local level. The level of the benefit is much more generous in Germany than in France (table 1; Kazepov/Sabatinelli 2001).

Spain and Switzerland are treated separately when focusing on the overall welfare regime. However, even though Spain may be characterised as a South European welfare regime (Ferrera 1996) and Switzerland as a liberal system (Esping-Andersen 1990), both share some major traits of the social assistance scheme which distinguish them from the other systems. In both countries social assistance is institutionalised only rudimentary. Even though social assistance in general is codified in the constitution of both countries (e.g. article 12 of the Swiss constitutions guarantees a right to a minimum income), there is no legally enforceable social right within a national framework law. In addition there is a high degree of discretion at the local level and the scheme is almost marginal in the overall design of the welfare state<sup>4</sup> In Spain the establishment of RMI schemes at the regional levels have been started only in the late 1980s. Finally both schemes have specific institutionalised requirements which reinforce the selectivity of the system beyond the strong recurrence to the family. In Spain the 'incompatibility' rule excludes all households from eligibility in which one household member receives another social benefit (Heikkilä et al. 2001: 22) while in Switzerland social assistance is given as a loan to be refinanced by the claimant. Accordingly there are very few people receiving social assistance and the overall expenditures are rather low from a

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<sup>4</sup> In Switzerland there is a co-ordinating organisation (Conférence intercantonale des Institutions d'aide sociale, CSIAS) which publishes recommendations concerning the benefit levels of social assistance. A review in 2000 concluded that most of the cantons broadly accepted these as general guidelines (Gay-de-Combes/Bonoli 2003).

comparative point of view. However, the level of the benefits is high in Switzerland while it is very low in Spain (see tables 1 and 3) .

In conclusion, the UK as closest representative of the liberal welfare regime is characterised by its large reference to a social assistance scheme which provides comparatively high benefits as an enforceable social right. The social-democratic countries in Scandinavia as well as Germany as conservative welfare state are characterised by the same major features of the social assistance scheme but devote only a residual role to it in the overall welfare architecture. Finally the Southern welfare regime is characterised by the rudimentary and discretionary nature of the scheme (E, until recently: F). The Switzerland remains the country most difficult to classify as it is characterised by a unique combination of features: the rudimentary and discretionary nature of the social assistance combined with high levels of benefits.

#### *Need for reforms?*

One of the most serious social problems of modern capitalist societies has been the re-emergence of mass unemployment since the 1970s. High and/or rising unemployment may become an issue for social assistance where the primary institutions do not provide universal or sufficiently high benefits. Gallie and Paugam provide some data on the coverage of the unemployment protection systems in the early 1990s and reveal a dramatic variation amongst the countries. While in Sweden almost 86% of the unemployed received benefits it was 70.5% in Germany, 59.4% in the UK, 45% in France and just about 23.8% in Spain. The same variation exists with regard to the level of benefits (Gallie and Paugam 2000: 8; Commission 2002: 26-28; OECD 2002). As the insurance-based institutions in most countries reflect the previous labour market situation of the claimant and are limited in its duration everywhere (table 2), it is young people without sufficient labour market attachment and long-term unemployed who are excluded by the primary security systems. These unemployed will have to refer to the means-tested unemployment assistance and the social assistance scheme. The transition from unemployment benefit to unemployment and/or social assistance represents a major loss of social rights as the benefits are usually significantly less generous, the job availability requirements are rather tough and the access to ALMP of the public employment services (PES) is reduced or abolished (Tab. 1). In some cases, unemployed are excluded completely from the system either because they are not entitled to any benefit - mostly young

unemployed - or do not take-up their rights. In France, Spain and Switzerland the net replacement rate for young single unemployed people is zero and they get entitled only after a longer time of unemployment in Switzerland and Spain but not at all in France (OECD 2002: 39). With regard to the issue of insufficient take-up of the benefits there are some estimates which suggest that about less than half of those eligible take-up social assistance in Germany, 50-65% in France (RMI and Allocation de Parent Isolé) and 62-70% in the UK (JSA) (see Hernanz et al. 2004 for a review).

Table 2: Unemployment benefit systems, end of 1990s

	Benefit duration, months			Conditions (UB), months*
	Unemployment insurance	Unemployment assistance	Social assistance	
Finland	23	Unlimited	Unlimited	10 / 24
France	4-60	Unlimited	Limited	4 / 8
Germany	6-32	Unlimited	Unlimited	12 / 36
Spain	4-24	6	Limited	12 / 72
Sweden	14	5	Unlimited	6 / 12
Switzerland	Up to 250 days	None	Unlimited	18
UK	6	None	Unlimited	12 / 24

Source: Carone/Salomäki (2001): 50. \* Months an unemployed persons must have contributed (first figures) within investigated period (second figure); Switzerland: Eardely et al. 1996a - early 1990s.

Accordingly, the number of people claiming social assistance has been rising significantly in all the countries between 1980 and 1992. Between 2% (E, F, C) and 15% (UK) of the national population received social assistance in 1992. In parallel, the expenses for social assistance rose as well. In the UK the expenditures for social assistance doubled to almost 4% of GDP which represented one third of the overall social security expenditures. This reflects the strong recurrence to means-tested benefits in the liberal welfare regime. Despite the increases social assistance expenditures still play a minor role in the overall expenditures of most of the other countries - reflecting the residual or rudimentary character of the schemes in their regimes. The discrepancy between the number of beneficiaries and the expenditures devoted to this policy in the two Scandinavian countries is due to the fact that in most of the cases social assistance is topping-up insufficient income from other sources (OECD 1998).

The number of people in the social assistance scheme reached its peak in most of the countries at about 1996. During the last years of the last decade the numbers were falling in all of the countries where (national) data are available (due to different statistics the data may not be compared with each other or the data provided by Eardley et al. in table 3): in the UK (JSA from 1.6 Mio in 1997 to 830.000 in 2003), in Sweden (social assistance: 1996: 8.2% to

4.7%), in Finland (almost 12% in 1996 to 8.5% 2001), in France (decline since 2000 to 3.2% of the population) and slightly in Germany (2002: 3.3% of pop., only HLU).

Table 3: Social Assistance, beneficiaries and expenditures 1980-1992

	Individual beneficiaries As proportion of nat. pop.		Expenditures As % of GDP		As % of soc. security	
	1980	1992	1980	1992	1980	1992
Sweden	4.1	6.8	0.8	1.5	4.6	6.7
Finland	3.5	9.2	0.1	0.4	0.9, 1982	2.1, 1991
UK	8.6	15.3	1.8	3.9	21.9	30.8
Switzerland	1.8	2.3	n.a.	0.8	n.a.	1.8
France	0.8	2.3	0.6	1.3	3.5	6.4
Germany	4.0	6.2	1.0	1.6	7.1	11.9, 1990
Spain	n.a.	2.7	0.3	1.2	2.1, 1982	8.4

*Source:* Eardley et al. 1996a: 37 and 41; expenditures include housing.

Unemployment or lack of earned income seems to be the most important single factor contributing to the rising social assistance numbers (Commission 1998; Garcia/Kazepov 2001; Hanesch 2001; Puide/Minas 2001). With regard to the social composition of the social assistance recipients it is three major groups who are affected: young people, long-term unemployed and lone parents (Garcia/Kazepov 2001; OECD 1998). Non-national recipients are overrepresented almost everywhere. In contrast to this there appears to be a major difference between north and south Europe with regard to young single households. In Scandinavia and Continental Europe these households constitute a major group amongst the social assistance recipients while in Southern Europe persons under 25 are not eligible for assistance. Therefore the bulk of people receiving social assistance in these countries are 45 or older (Garcia/Kazepov 2002; Puide/Minas 2001).

### *Actual reforms*

In his chapter we are going to analyse the major reforms in the area of social assistance throughout the 1990s. We will ask for the main contents of the reforms and their basic character. Therefore we will ask if the reforms are primarily meant to close gaps in the existing welfare architecture and if the reforms are changing the character of the social assistance scheme. Is there a general tendency towards 'workfare' in the European social assistance schemes? The direction of change gives a first indication by which discourses (RED, MUD or SID, see below) the most recent policy reforms are motivated. This issue will

be further developed in the following chapter. Table 4 gives a short summary of the major institutional reforms.

Table 4: Social Assistance reforms in the 1990s

	Policy reform
EU	2000 OMC on social inclusion
Finland	1994 Labour Market Support 1998 Social Assistance Act
Sweden	1998 Social Services Act 2000 Activity Guarantee
UK	1996 JobSeekers Allowance 1997ff New deals
Germany	1996 reform of federal social assistance act 2004 Fusion of unemployment and social assistance ('Hartz IV')
France	1989 Revenue Minimum d'Insertion (RMI) 2004 Revenue Minimum d'Activité
Spain	No activity at national level 1989-95 introduction of RMIs at the regional level
Switzerland	No activity at national level Some reforms at regional level - partly along the model of RMI

Source: Compilation of the authors build on reports by WRAMSOC members

The *European Union* has traditionally played only a minor role in the area of poverty policy and social assistance (Geyer 2000; Daguere/Larsen 2003c). According to the principle of subsidiarity this area of social policy is the responsibility of the member states. Nevertheless, the EU had some impact through its Poverty programmes which lasted until the early 90s and were instrumental in raising the awareness of a 'new' poverty in Europe. Initiatives to strengthen the EU role in social inclusion were put forward throughout the 1990s and the Treaty of Amsterdam introduced social inclusion as a matter of concern into the EU treaty. The European Employment Strategy (EES) with its focus on the open method of co-ordination (OMC) provided the example of how to deal with social exclusion at the European level. The OMC consists of a set of common rules, regular reporting and common evaluation organised jointly by the Commission and the member states with the general aim to induce a collective learning process. This method has been extended in the context of the Lisbon strategy to cover the area of social inclusion. In general the social inclusion process is institutionalised in a rather weak way: it does neither provide for any concrete targets nor any sanctions for non-application.<sup>5</sup> The setting of targets is left to the member states to be indicated in their National Action Plans for social inclusion (NAPincl).

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<sup>5</sup> Efforts by the Commission to set targets have been rejected by the member states. In its contribution to the Lisbon summit the Commission proposed to set the following targets: to halve child poverty by 2010 and reduce the number of people living below the poverty line from 18% to 15% in 2005 and 10 in 2010 (Commission DOC/00/7, Brussels 28.2.2000).

In the early 1990s there were hardly any arrangements to encourage social and economic integration linked to the social assistance scheme in *Finland* (Eardley et al. 1996b: 129). The political response to the major crises in the early 1990s has therefore been the strengthening of the principle of 'work first' and activation. Filling a gap in the protection of unemployed, a new scheme - labour market support - was introduced in 1994 for those unemployed who lacked the entitlement to earning-related or basic unemployment benefits. This means-tested benefit is conditional on participation in training or ALMPs for most of its recipients. In 1998 the Social Assistance Act reaffirmed the right on social assistance and increased primary benefits and thereby contributed to a relieve in the social assistance scheme. In addition it also strengthened work incentives through cuts of the benefits and provided for sanctions of 20% to 40% of the benefit in case of non-co-operation. Furthermore, a new Act on Rehabilitative Work was enacted in 2001 that called upon the municipalities to provide different kinds of activation measures. Participation in rehabilitative work experience was made compulsory for those under 25-years in danger of social exclusion. Recently the Finish government has announced to continue the reform along the activation principle. In the future there shall be an obligation for all long-term unemployed to sign individual action plans. Under 25-year old long-term unemployed are to be offered work or training after three months of unemployment which they may no refuse. A recent working group proposed to limit Labour Market Support to 500 days to be followed by education or workplace. As complementary instruments to increase work incentives for the recipients income disregards for social assistance recipients (traditionally there were no disregards) and a new 'adjustment unemployment benefit' have been introduced. The new benefit may be given for unemployed starting part-time work (up to 28 hours) for a maximum period of 36 months.

In a similar way the *Swedish* government strengthened the principle of 'work first', made activation compulsory for some groups and delegated the responsibility towards the municipalities. The receipt of social assistance has always depended on the condition that recipients were available for the labour market. The meaning of this requirement however changed significantly during the 1990s. In the early 1990s the responsible National Board of Health and Welfare decreed that „no-one should be denied social assistance on the grounds that he or she refused to accept employment where wages were not agreement-linked and where normal labour market insurance was not provided“. This condition was gradually removed by the Supreme Administrative Court and the revised Social Services Act of 1998

explicitly required that young adults under 25 could be required to participate in programmes to qualify for social assistance (Welfare Commission 2002: 142f; Timonen 2003b). During the 1990s the responsibility for labour market policy for unemployed youth was gradually delegated to the municipalities. A ‚development guarantee‘ for young unemployed between 20 and 24 was part of the 1997 Act on Municipal Responsibility. The law called upon the municipalities to provide such a guarantee but hesitated to introduce a strict legal obligation. The most recent development, in 2000, has been the introduction of a so-called ‚activity guarantee‘. This programme soon became the most important instrument to activate long-term unemployed over 20 years including social assistance recipients. In April 2002 38.000 persons or 40% of all long-term unemployed were participating in that programme (Timonen 2003b).

The policies of the conservative governments in the *UK* until 1997 followed the general direction of a ‚negative activation‘: the reservation wage guaranteed by the social security system was cut and the conditions to get benefits were tightened in order to push unemployed into the low wage sector of the economy (Peck 2001: 264-299). The introduction of the Job Seekers Allowance in 1996 represented the most important single reform of the Major government in that respect (see Daguerre/Larsen 2003a: 1-9). The reform merged Unemployment Benefit and Income Support into the Jobseekers Allowance (JSA) and made it conditional on participation in training and job-search activities.<sup>6</sup> Employable social assistance recipients were thereby integrated into the general labour market policies.

After the victory in the elections 1997 the Blair government announced a major reform of the welfare state that would transform it "from a safety net in times of trouble to a springboard for economic opportunity" (Schröder/Blair 1999). As the Green Paper on Social Reform stated the main goals of the new government: „The government’s aim is to rebuild the welfare state around work“ and „Work for those who can, security for those who cannot“. The New Deal proposals have been the major element of Labour's benefit-to-work strategy (see Daguerre/Larsen 2003a; Peck 2001; Trickey/Walker 2001). Six different kinds of New Deals have been established: the New Deal for young people, for long-term unemployed, for lone parents, for disabled people, for partners of unemployed and for those over 50. All of the New Deals provide improved personal assistance. The most important New Deals are targeted at

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<sup>6</sup> However, there remained two kinds of JSA, a contribution-based JSA which lasts for 6 months against 12 months of the former UB and an income-based JSA. The percentage of unemployed receiving the contribution-based UB/JSA declined dramatically from almost 50% in 1980 to about 18% in 2000.

the under 25s and the long-term unemployed. These are compulsory and consist of a rather complex system of phases and options. Young unemployed enter the first stage called gateway after 6 months (in case of long-term unemployed: 12 months) (see Trickey/Walker 2001: 200 for an instructive figure on the "pathways through the ND"). At this stage a 'New Deal Action Plan' is agreed with the JSA recipient and four different options are offered by the JobCentre: subsidised work in the private sector, subsidies to self-employment, education or training and finally subsidies to voluntary or environmental work. All measures last for up to 6 months. In principle, the four options are not considered hierarchical and the claimant may choose. The government, however, constantly stressed that there is "no fifth options" which means that participation in one of the options is compulsory - which they would have been anyway after the 1996 reform. The New Deals were complemented by the introduction of legal minimum wage and a reform of the tax credits systems in order to 'make work pay'.

After the re-election of the labour party in 2001 the government merged the responsibilities for the New Deal and the social welfare benefit system in a new department, the Department of Work and Pensions (Daguerre/Larsen 2003a). The intention was to co-ordinate passive and active policies with the aim to raise the employment rate. The Green paper 'Towards Full Employment in a Modern Society' announced further changes. First, the administrations of the Employment Service and the Benefit Agency are to be fused within the 'JobCentres Plus'. Second, the principle of conditionality will be strengthened in the social assistance scheme. After the establishment of local 'JobCentres Plus' all benefits will be conditional on participation in a work-focused interview. Thereby the activation strategy extends the principle of conditionality beyond the group of unemployed to lone parents (since April 2002) and disabled. However, the participation in activating programmes will remain voluntary. Thirdly, the resources are to be focused on those hardest to serve and finally, some demand-led policies of publicly funded employment creation are introduced in most disadvantaged areas.

The policies of the conservative-liberal government in *Germany* in the 1990s followed the principles of 'negative activation'. Several reforms - the most important being the reform of the social assistance act in 1996 - restricted the growth of the benefit levels, introduced a new rule to widen the income gap between social assistance recipients and low wage earners, and tightened the sanctions for those refusing a reasonable job or 'activating' measures. In addition, however, new instruments were introduced to provide positive incentives within the social assistance scheme such as subsidies for employers as well as employees

(Adamy/Steffen 1998; Hanesch 2003; v. Winter 2001). The government advocated the extension of welfare-to-work programmes but it fell short of making them obligatory because of the resistance of the municipalities and the political opposition. Even without such a reform of the federal legal framework the municipalities 'remembered' the traditional workfare component of the social assistance act and expanded their efforts substantially in the 1990s. However, these measures vary significantly from work tests and workfare arrangements ('work for benefit') to regular labour contracts (Voges et al. 2001; Hanesch 2003).

As the chancellor of the red-green government, Schröder, announced in its common publication with Blair (Schröder/Blair 1999) his government was dedicated to a substantial reform of the welfare state. However, the most important steps in that direction (reform of the labour market policies along the proposals of the Hartz-commission and the agenda 2010) occurred only in the second term (see Schröder 2003; Aust 2003, Brütt 2003). One of the most important elements of that major reform effort was the reform of the two assistance schemes for able-bodied unemployed.<sup>7</sup> Building on the proposals of the 'Hartz Commission' and a further working group led by the Department of Economy and Work the red-green government decided in August 2003 to replace unemployment assistance and social assistance for able-bodied persons by a new scheme. 'Hartz IV' – as the reform has come to be known, as it was the fourth and final major reform act implementing the proposals of the Hartz Commission – has passed legislation in December 2003 and shall be implemented from 2005 onwards.<sup>8</sup> This most important reform since the establishment of the Social Assistance Act in 1961 will replace the traditional unemployment assistance scheme and take over the responsibilities for all able-bodied recipients of social assistance.

- The Federal Labour Office will take over the responsibility of the 'basic security' on behalf of the national government. All the expenses will be covered by the national budget and thereby relieve the budgets on the municipalities significantly. At the local level the labour offices are to set up JobCentres that integrate both the tasks of the labour offices (guidance, active labour market policies) and the social assistance administrations (personal social assistance). However, there is an option for a limited number of 69 municipalities to take over the responsibility for the administration of the new scheme.

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<sup>7</sup> Other changes include the introduction of a basic income scheme for the elderly in need largely in line with the current social assistance scheme which meant to raise the level of take-up and a reform of the Social Assistance Act itself.

<sup>8</sup> The alternative reform proposal of the CDU, the *Existenzgrundlagengesetz* (BT Drs 15/1523), was largely inspired by the American Welfare-to-Work reform. The municipalities should be obliged to act as employers of last resort for all claimants. There is no wage but claimants have to work for their benefit ('workfare'). In order to create jobs the proposal envisaged a permanent subsidisation of low wage employment.

- The conditions of the social assistance scheme will become - in a slightly revised form - applicable for all future recipients of the 'basic security for unemployed' which means a major reduction of the benefit for most of the former unemployment assistance recipients. In addition, it is estimated that about one third of the former unemployment assistance recipients will no longer be eligible for benefits because the rules of the means-test have been tightened.
- In order to enhance the activating capacity of the organisation more case-managers are to be employed. The target is that each case-manager shouldn't be responsible for more than 75 ,clients'.
- A particular emphasis is on activating young people up to 25 years. Members of this age group should be targeted to be guided into the labour market. If this isn't possible they should be offered a training (or language) course or public work.<sup>9</sup>

The claimant is obliged to accept any work or labour market measure the case manager offers. The protection of the professional or financial status, which was still in operation in the unemployment assistance scheme, will be abolished. In case of non-co-operation the case manager may sanction the claimant. The benefit may be reduced by 30%, in the case of young people (up to 25 years) the benefit may be withdrawn completely for up to three months.

In contrast to the other countries discussed so far, there wasn't any general social assistance scheme in *France* up to the late eighties, but a set of categorical assistance schemes. For a large part of the able-bodied persons in need there was no public scheme at all until in 1989 the *Revenu Minimum d'Insertion* (RMI) was introduced. The policy initiative had been taken by President Mitterrand in the election campaign of 1988. Inclusion was seen as a "national imperative" and reached a great consensus between social actors (Mandin and Palier 2003). The RMI guaranteed a general minimum income for *all* people in need older than 25 years and thus extended the social rights of people until then excluded from the system. The main innovation of the scheme was the combination of GMI and 'insertion'. The goal of the reform was to fight both poverty and social exclusion. The guarantee of social right therefore appeared as a double right (minimum income and social integration). In principle, the claimant has the right on measures of 'insertion', but the RMI was "not a workfare benefit (...it was) without any obligation" (Interview Ministry of Social Affairs). However, the rights and duties were to be established in an integration contract. The initial consensus was to large extent due to the ambiguity of insertion. There was no common understanding of what

insertion meant and which instruments could be developed: a range of activities could be regarded as insertion: education, employment, training, health and housing, job-seeking, professional training or activities to autonomy. Initially there was no general imperative to favour a transition into the labour market. The main focus was on integrating people into society (Mandin and Palier 2003).<sup>10</sup> Evaluation revealed that the system worked with regard to the provision of financial benefits but not in its 'insertion' dimension. In general the mechanisms for social insertion were not sufficiently developed at the local level. In 1994 only seven out of ten recipients had signed an integration treaty of which one third was oriented towards 'social autonomy', one third to labour market insertion and a final third was looking for work (Enjolras et al. 2001: 51). Measures of 'insertion' did not improve in a significant way the labour market chances of participants.

At the end of the 1990s further steps have been taken which shifted the focus of policy from 'insertion' to disincentives.

- Exemption of employers' contributions (in family benefits and employers' health insurance) for the low paid. The aim was to reduce labour costs of the unskilled in order to job creation.
- Making Work Pay for the beneficiaries of social assistance schemes (1998, *intéressement*). In order to encourage recipients to enter the labour market they were allowed to keep parts of their benefits during the first 12 months of work in a new job.
- As these measures revealed insufficient, the government adopted in 2001 a special subsidy for low income households, called *prime pour l'emploi* (PEE).
- The Minimum income of activity (*revenu minimum d'activité*, RMA) implemented in January 2004 is targeted to long term RMI beneficiaries. The RMA redirects the RMI as a subsidy to employers who engages RMI recipients at the minimum wage level. The employee keeps the status of the RMI recipient.

Mandin and Palier (2003) conclude that the introduction of the RMI and the reforms mentioned above indicate the creation of a tax-financed and means-tested 'second world of social protection' along the traditional social insurance system without replacing it.

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<sup>9</sup> A new labour market programme for young unemployed called 'Jump-plus' has been set up in 2003.

<sup>10</sup> In 1992, a first evaluation of the programme stated that the results of social insertion were disappointing: Only about one third moved into the labour market and a minority of 40% of the recipients had signed a contract of insertion.

Neither in *Spain* nor in *Switzerland* have major policy reforms occurred in the area of social assistance at the national level. This is mainly due to the federal character of both states which assigns the exclusive responsibility for this policy to the regional level (article 148 of the Spanish *Carta Magna*, article 115 of the Swiss constitution). Some initiatives in Switzerland to introduce a federal framework law in the early 1990s didn't succeed. Nevertheless, there have been some reforms at the regional level in both countries.

In *Spain* the missing 'scheme of last resort' was established through the regional authorities between 1988 (Basque Country) and 1995 (Balaric Islands) (Arriba 2003). During that time a 'mimesis' effect occurred (Moreno 2002) which led to the setting up of minimum income schemes in each of the 17 *Comunidades Autónomas*. These schemes filled a gap in the previously existing social protection system in Spain with its categorical assistance scheme.<sup>11</sup> The schemes are mainly constructed along the lines of the RMI in France and include a minimum benefit and an 'insertion' component (*Rentas Mínimas de Inserción*). However, the degree to which the benefit is constituted as a social right, conditions and opportunities with regard to 'insertion' attached to it, the level of benefit and so on vary to a very large extent from one region to another. Young people under the age of 25 are still excluded from the scheme. In order to ensure work incentives the level of the benefits is kept low and vary between almost 50% to 64% of the legal monthly minimum wage in Spain. In 2000 the percentage of households covered by the minimum income scheme is still below 1% in most of the regions, the Basque Country being the only CA exceeding 2%. Accordingly the financial resources devoted to this policy do not amount to more than one percent of the regional budget (again Basque country being the only exception). A universal and co-ordinated network of public minimum income has not been built but there has, indeed, been a notable extension of financial benefits, and to a much lesser extent in personal social services and social and labour market integration (Rodríguez Cabrero, Arriba and Marban, 2003). The output is a fragmented, 'patchy', safety net strongly hierarchical by occupational status. All these schemes offer a low level minimum income maintenance allowance. Access to them is means-tested which is, as the amount benefit, based in the household size and income. Often, benefits thresholds or requirements imply the central role of the family in the care and shelter of those in need. Therefore it is fair to conclude that social assistance remained of a rudimentary character in Spain. It's been only in the most recent National Action Plan for

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<sup>11</sup> In 1990 categorical assistance schemes have been set up for elderly and disabled persons but not for people in need as such.

social inclusion that the Spanish government announced to raise the levels of the benefit nation-wide up to 70% of the minimum wage (Commission 2003: 53).

In the light of the low unemployment figures, the high labour force participation rate and the stigmatising features of the *Swiss* social assistance scheme the issue of social assistance reform might appear less urgent than in the other countries under analysis. Nevertheless the number of people claiming social assistance has risen as well in Switzerland. Therefore, reforms have taken place in some cantons. The main innovations that are implemented by the reforms are the institutionalisation of a right to social assistance along the guidelines of CSIAS, the obligation to take part in reintegration programmes and the abolition of the need to reimburse social assistance benefits. It has mainly been the French-speaking cantons which referred to the French model of RMI and either reformed their social assistance scheme along these lines or even introduced a completely new scheme besides the social assistance scheme. The main thrust of the reforms - where they occurred - was therefore to complement the social assistance scheme with an element of 'insertion' and/or activation. Overall it seems that the element of activation of the recipients in the social assistance scheme remains underdeveloped (Gay-des-Combes/Bonoli 2003).

Having presented the major content of the reforms in social assistance schemes in a couple of countries we may draw some first preliminary conclusions. In the introduction we distinguished two different interpretation of the recent developments. Eardley and his colleagues argued that the reform agenda is to a large extent dependent on the existing institutional arrangements and resulting issues. Therefore the policy agenda was reflecting the different welfare regime characteristics. Indeed, the political reforms in some countries fit to this explanation. The introduction of the RMIs in Spain and France - although at a low benefits level, still excluding young people and discretionary - reflects the need of Southern countries to complete their institutional arrangement with a general minimum income support scheme. The JobSeekers Allowance and the New Deals confirms the preoccupation with issues of work disincentives and dependency in the liberal welfare regime and the introduction of compulsory 'activation' programmes in the two Scandinavian countries reflects the commitment of the social-democratic welfare regime to full-employment. According to Eardley et al. the major problem in Continental Europe was 'new' poverty. However the presumably traditional way of conservative welfare regimes to deal with the problem - "welfare without work" (Esping-Andersen), the financial support of those not participating in

the labour market - is no longer pursued but the efforts are increased to integrate more people into the labour market.

However, the second hypothesis of a general transition towards some kind of a workfare regime may point to some major empirical evidence as well as 'activation' policies with compulsory elements has been strengthened in all countries under review. Looking at the timing of the various reforms the hypothesis of a general transition becomes even more convincing. The reforms that may be characterised as filling gaps in the welfare state architecture and/or which refer to the increases of benefits as the major means of the fight as against poverty have occurred in the first half of the decade (RMI in E and F; Labour Market Support in SF). By contrast, all the reforms in the second half of the decade focus on the strengthening of 'activation' elements in the social assistance schemes - even though the concrete meaning of 'activation' varies significantly from a strengthening of compulsion and the use of 'workfare' in the sense of having to work for the benefits to the enhanced provision of ALMP. The final chapter asks whether a change in the discourse has contributed to this political development.

### *Discourses on social exclusion and social assistance*

#### *A framework for analysis*

In social assistance two major goals may be identified: the "prevention of extreme deprivation", usually through a system of guaranteed minimum incomes, and the "maintenance of integration by preventing social exclusion and marginalisation" (Heikkilä et al. 2001: 13; OECD 1998). The primary function of the social assistance schemes - where they were institutionalised- is however the prevention of poverty. The scheme of last resort is to provide a safety net for all those people in emergency cases who are not able to help themselves and didn't have any claims against social insurance systems. Using the classification, which will be introduced below, *modern* social assistance schemes which guarantee social rights of the citizens are rooted in the redistributive discourse.

On a rather general level there appears to be a large consensus on the two goals. However, major differences exist with regard to the priorities set and the interpretation of the causal relationship between the goals. These differences are related to conflicting normative

assumptions as well as perceptions of the nature of the problem. Authors such as Silver (1994) and Levitas (1998) have convincingly argued that various discourses may be distinguished. Our general understanding of 'discourses' is inspired by Levitas who argues that "(t)o talk about the language of politics as a discourse ... means that sets of interrelated concepts act together as a matrix through which we understand the social world. As this matrix structures our understanding, so it in turn governs the paths of action which appear open to us." (Levitas 1998: 3).<sup>12</sup> We will build on and modify the arguments of Ruth Levitas (1998). Her distinction of three divergent discourses on social exclusion - redistributive discourse, moral underclass discourse and social inclusion discourse - is straightforward applicable to the discussion of social assistance. The crucial argument is that there are divergent perceptions of what constitutes the problem, what are the perceived causes and which political strategies are useful to deal with the problem.

Table 5: Discourses of social exclusion

	RED Redistributive d.	MUD Moral Underclass d.	SID Social inclusion d.
Issue Problem perception	Poverty Social inequality	Dependency Loss of work ethic and family values	Disincentives 'Traps' caused by social transfers
Goal	Poverty reduction Redistribution	Independence Self-responsibility	Labour Market integration Activation
Instruments 1. Activation	ALMP	"Negative activation" increased sanctions workfare	"Positive activation" raise opportunities <i>and</i> obligation
2. GMI	Decent GMI (social right)	Reduced benefits	Decent GMI, reciprocal (rights <i>and</i> duties)
<i>Acceptance of non- commodified social roles</i>	<i>Potentially</i>	<i>No</i>	<i>No</i>
Responsibility	Society	Individual	Society and Individual

Source: based on Levitas 1998, ch. 1, modified

Within the framework of the *redistributive discourse* the major problem is poverty and social inequality. In contrast to MUD and SID this problem is not perceived as having been caused by individual behaviour or disincentives of the welfare state but by the operation of the

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<sup>12</sup> This understanding of discourse by Levitas comes close to the idea of a policy paradigm by Peter Hall (1993: 279): "More precisely, policy makers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments (...) but also the very nature of the problems they are meant to be addressing. (...) I am going to call this interpretative framework a policy paradigm." We prefer to use the term discourse because 'paradigm' seems to imply a widespread consensus amongst the political actors. This is only one possibility. Empirically the existence of divergent and conflicting discourses appear to be more relevant. C.f. ideas and policy processes: Hall 1993; Sabatier 1998 and Sured 2000.

capitalist market societies which exclude people from the labour market and/or from sufficient access to income and resources through the welfare state (e.g. Townsend 1979; Kronauer 2002). RED therefore underlines the responsibility of politics to alleviate the social consequences of market and social failures. With regard to social assistance the rising numbers and expenditures are seen to be caused by external developments such as unemployment and selectivity in the primary social security system. It's not the social assistance system which is to blame. Policy instruments to be used are therefore active labour market policies and the guarantee of a decent minimum income. In order to justify their arguments representatives of this discourse usually refer to Th. Marshall who developed the idea of basic social rights as elements of modern citizenship. Accordingly *all* people in need have a right on a minimum income because of their human or citizenship rights. The focus rests on the availability of sufficient resources for the recipients to allow them to live a life in dignity. The increase of financial benefits is seen as an appropriate and immediate way to reduce poverty and as a necessary step to the social inclusion of the claimants.

The *moral underclass discourse* perceives the welfare state itself as the major problem for it creates welfare 'dependency' - which means that it 'traps' claimants into long-term receipt of the benefit - and ultimately even induces culturally distinct behaviour. It is said to undermine work ethic and family values and therefore turns into a problem for the overall social order (e.g. Murray 2000). The moral underclass discourse has its roots in the American debate on social welfare and focused on the means-tested scheme for lone parents ADFC. According to the conservative and neoliberal critics this scheme gave incentives for young women to get children outside of marriage because the status of a lone parent allowed access to welfare benefits. The availability of the ADFC therefore contradicted the policy goal of making claimants independent and self-responsible persons. The policy conclusion from this interpretation was to reduce the level and duration of the benefit ('negative activation') and to make benefits conditional on the participation in welfare-to-work programmes (*workfare*). This policy discourse has guided the US-american reform in social assistance since the early 1980s and reached its peak in the Welfare Reform of 1996 (Peck 2001; Wiseman 2002).

The major problem within the *social inclusion discourse* is seen to be the institutional arrangement of the welfare state which focuses on passive transfers and creates wrong incentives. Welfare recipients are said to be stuck within „unemployment“ or „poverty traps“

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which reduced and even eliminated their efforts to actively look for a job. The margin between the benefits provided by the welfare state and the income achievable through gainful work is regarded as too small. This problem perception has been shared by liberal economists, international organisations and the 'modernisers' within European social democracy as *The OECD Jobs study*, the European Employment Strategy and the so-called Lisbon-process of the EU and major intellectuals close to social democracy reveal (OECD 1994, 1998; Esping-Andersen 1999; Ferrera et al. 2000; Giddens 1998). The common *leitmotif* of this discourse is to activate the claimants into the labour market or to use the widespread slogan to transform the welfare state from a 'safety-net' to a 'trampoline'. While initially focusing on labour market policy this discourse diffused into the policy area of social assistance as well. In contrast to RED the redistribution of incomes through the welfare state and the increase of benefits in order to fight poverty - the primary function of social assistance schemes - is seen at least as ambivalent or sometimes even contradictory to the goal of social inclusion. Work is regarded as preferable to welfare benefits. The perception of the problem thereby shifts from (registered) unemployment to worklessness. As a consequence the social inclusion paradigm delegitimizes de-commodified social roles and redefines the prescribed role of particular social groups (e.g. lone parents). In contrast to MUD the *social integration discourse* underlines social and individual preconditions to enter and succeed in the labour market. The lack of adequate skills and qualifications and the insufficient supply of social infrastructure to reconcile family and paid work are often regarded as causes for social assistance dependency. This discourse therefore highlights the need for supportive public interventions to improve individual employability ('positive activation') and social infrastructure. In order to give financial incentive for low qualified people in-work benefits for low wage jobs are regarded as useful instruments to reduce the welfare state induced traps. Finally, within SID the character of the claimant is fundamentally changed. While RED stresses the social right as citizen SID argues in favour of a new balance of rights and duties. Recipients of social (assistance) benefits are obliged to use offers given; otherwise they may be sanctioned through the reduction or withdrawal of the benefit.

### *Current discourses on poverty, social exclusion and social assistance*

Referring to the distinction of three different discourses we will use the available information provided by the WRAMSOC members - so called policy maps which detail policy processes

of major reforms and interview material - in order to analyse the currently prevailing discourses on poverty and social exclusion. Wherever information is available to us we complement the data with insights provided by documents and secondary literature. As the information is focusing on political actors we only refer occasionally to the discourse of the general public. The interviews and the policy maps give us some hints to preliminary answers for the following questions:

1. Is poverty regarded as a major political issue? In case that it is, how is the issue framed and what is regarded as the problem?
2. We go on to ask for the role of social assistance. Is it considered as an answer, as an appropriate instrument in the fight against poverty and social exclusion *or* is it perceived as part of the problem to be solved?
3. What are the main proposed policy solutions?

At least three observations beyond the political space of the nation state indicate a shift in the discourse on poverty, social exclusion and social assistance: (1) the scientific discourse, (2) the discourse of international organisations - OECD and EU - and finally (3) the discourse within European social democracy. With regard to these issue we will restrict ourselves to some comments.

1. At the scientific level there are two developments to be stressed. First, there is a large consensus regarding a shift from 'poverty' to 'social exclusion' as the adequate framing of social scientific analysis (c.f. Room 1995; 1998; Kronauer 2002). Certainly the change in perspective is useful as it highlights the complexity of processes of social exclusion (see the five elements of reconfiguration in Room 1998) and induces useful empirical research. Nevertheless, there remains a certain ambivalence in this shift as the issue of income distribution is reduced in its importance. A policy implication might be to argue that as long as people are included, e.g. into the labour market, the distribution of resources is less important. Second, research seems to be dominated by economic against sociological arguments. Huge efforts are made to calculate net and gross replacement rates for various kinds of (long-term) unemployed people (social assistance recipients) or to calculate the marginal effective tax rates (METR) on labour (OECD 2002, 2003; Carone/Salmomäki 2001). Again, this is useful in analysing the interplay of the benefit and tax system in different countries. However, a problem occurs when this kind of analysis argues that actual behaviour is determined by 'incentive structures'. The sociological question, whether and in how far these 'incentives' have any empirical influence on the actual

behaviour of the relevant people is dealt with much less effort. At least, it seems that the political and public discourse is more influenced by the first kind of research.<sup>13</sup>

2. The discourse within international organisations such as the OECD and the EU seems to be preoccupied with the issue of disincentives. The OECD focused in its 1994 Jobs Study on contradictory effect of welfare benefits and argued that systems of unemployment compensation create poverty and unemployment traps (OECD 1994; Hanesch 1999). According to that analysis both effects reduce the incentives for unemployed to look for a job and in particular to accept a low-wage job. As long-term and young unemployed have increasingly moved to the social assistance scheme the OECD increased - under the heading of 'battle against social exclusion' - their analytical efforts to analyse the situation within this scheme as well (OECD 1998; 2003). Although the OECD report accepted the goal of providing a guaranteed minimum income, it argued that the schemes "also introduce disincentives to employment" (OECD 1998: 67) - thereby creating a 'policy dilemma'. With regard to social assistance schemes it is therefore highly critical and argues that these schemes have turned from a 'solution' to a 'problem': "In effect, there has been to some extent a shifting of the focus of concern from preventing income poverty to preventing long-term exclusion from labour market and social opportunities. Income poverty *may be* ameliorated for those with little or no paid employment, *but only by* maintaining them on assistance benefits. While this is a "solution", in that it prevents the worst effects of extreme income poverty, it is now seen as a "problem" in its own rights, if this support becomes long-term, with little prospect of restoring a degree of independence through employment" (1998: 22, emphasis added). The argument implies a causal relationship: recipients stay in the social assistance scheme because benefits are available and: the higher the benefit, the higher the more people will do so.
3. The changing discourse within European social democracy seems to be a third factor pointing to a shift in the discourse from RED to SID (c.f. Bonoli/Powell 2004). Intellectuals close to social democracy argue that traditional social democratic policies of income redistribution are - for various reasons - no longer possible.<sup>14</sup> Therefore they argue

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<sup>13</sup> However, there are some studies dealing with the sociological dimension: see Leisering/Walker (1998) and Saraceno (2002) for very useful international comparisons and Leibfried/Leisering et al. (1995) and Gebauer et al. (2002) for empirical research in Germany. By the way, these studies conclude that the incentive structure has a minor impact on the actual behaviour of people in social assistance. The economic studies ignore to a large extent the fact that there is no free choice on part of the social assistance recipients.

<sup>14</sup> There are divergent interpretations of why the supposed traditional demand-led social democratic policies are no longer possible: Esping-Andersen (1999; 2002) and Ferrera et al. (2000) point to the need to generate employment within a post industrial, service-dominated society which necessitates a widening of income disparities while Giddens (1999) and Streeck (2000) highlight the increased competitive pressures within a

in favour of a fundamental reform of the welfare state by making it more employment-friendly (Esping-Andersen 1999; 2002; Ferrera et al. 2000; Giddens 1998; Streeck 2000). 'Activation', increasing 'employability' and 'make work pay' moved to the centre of the political discourse of European social democracy. This is accompanied by a change in the normative balance of 'rights' and 'duties': offers provided by public institutions have to be taken up by the recipient of financial benefits. Compulsion is regarded as acceptable. This applies in particular to social assistance recipients. The well-known Schröder-Blair paper (1999) documents that these discourses have been taken up and shared by leading social democrats. The discourse within European social democracy is to some part distinguishable from the national arena as the leaders organised separated international forums - working groups of the Party of European Socialists and, more importantly, several conferences of the 'Progressive governance network' - at which they discussed these issues of 'progressive governance'.

Table 6 gives a brief summary of the main dimensions of the debate on poverty and social assistance in the different countries. At first sight there appears to be a major diversity. The perceptions of the problem, the role for social assistance and the major proposed policy solutions vary to a large extent. However, a closer analysis reveals some convergence throughout the 1990s as the social inclusion discourse became dominant almost everywhere.

The *issue of poverty and/or social exclusion* seem to be on the agenda almost everywhere. The EU introduced the OMC on social inclusion. The Labour government in the UK committed itself to a reduction of social exclusion and put the issue at the heart of their reform strategy to rebuild the welfare state. The same is true for most of the other countries under review (CH, F, G). A possible exemption might be the two Scandinavian countries for which poverty was no major issue as social equality and low poverty rates could be sustained even during the economic crisis of the early 1990s (table in the Annex). In addition social exclusion was no important issue for the conservative parties where they governed during the 1990s (G, UK, E).

Table 6: Current discourses on Poverty and Social Assistance

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globalised economy. However, there appears to be some kind of consensus with regard to future policy orientation: The focus for a socially inclusive policy has to be on the improvement of the market chances of all members of society not equal distribution of resources or the subsidisation of non-work. This general orientation of course applies to social assistance as well.

	Finland Sweden	France	Germany	Switzerland	UK
Poverty - an issue? Framing of the issue	No major issue Inequality [RED] Unemployment	Yes 'Exclusion sociale' [RED]; Disincentives [SID]	Yes Disincentives [SID]	Yes Working poor	Yes Dependency [MUD]; Disincentives [SID] Working poor
Role of soc. assistance	Residual	RMI - "no solution"	Part of the problem	No major issue	Part of the problem
Policy solutions	Social insurance system; ALMP	'insertion' ALMP 'Make work pay'	Activation	Family benefits; tax reform; Min. wage	Activation 'Make work pay' through tax credits and min. wage
Workfare; Compulsion	Consensus; tradition of 'work line'	Negative connotation; conflict left vs. right	Consensus since change of SPD	No major issue in soc. ass.	Consensus since change to 'new' labour
Public discourse - Social vs. personal causes of poverty (%)	SF: 66 vs. 28 Sw: 69 vs. 21	59 vs. 32	East: 69 vs. 24 West: 58 vs. 29	n.a.	42 vs. 43

*Sources:* compilation of the authors based on WRAMSOC reports and interview material; Social vs. personal causes: Gallie/Paugam 2002 - data refer to 2001.

However, the *framing of the problem* differed to large extent and varied from a discourse focusing on moral underclass issues - the dependency argument -, over a redistributive discourse to a social inclusion discourse.

The *moral underclass discourse* was primarily to be found in the *UK*. The governments of Thatcher and Major were strongly influenced by conservative American authors who „launched an intellectual crusade against welfare dependency“. It was „behavioural problems on the part of jobseekers“ - dependency - that were perceived as the major cause for concern (Daguerre/Larsen 2003a: 4). The problem perception of the labour party was different<sup>15</sup> but changed dramatically after the defeat of the 1992 elections (Levitas 1998; Peck 2001). Labour moved from a redistribute discourse to a social inclusion discourse with even some elements of a moral underclass discourse. The ideological reorientation of the Labour party towards 'New' Labour became crucial for „the construction of a liberal consensus“ in the UK (Taylor-Gooby 2001). A dispute between the New Labour leadership and Roy Hattersley revealed that

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<sup>15</sup> Even though there are elements of MUD in the 'new' Labour discourse as well: "In the case of workless, not only do they lack skills but also have a state of mind problem. To be a lone parent can be a status and you can be on Incapacity Benefit by definition. So *we try to change their mindset* and help them realise they would be better off in employment" (Interview Department of Work and Pensions, emphasis added). Here the perception of the problem comes close to a moral underclass discourse. Lone parents and disabled are living a life within a status that is not preferred by the government. In a patriarchal way the 'mindsets' are to be changed.

an equalised distribution of incomes through social benefits was no longer perceived as a political goal. In the words of chancellor Brown it is „neither desirable nor feasible“ (Levitas 1998: 133-138). The new paradigm of New Labour – most strongly articulated by Frank Field – was built on the disincentives argument (Daguette/Larsen 2003b: 7). Accordingly New Labour announced a major reform of the welfare state that would transform it “from a safety net in times of trouble to a springboard for economic opportunity“ (Commission on Social Justice 1993; Schröder/Blair 1999). As the Green Paper on Social Reform stated the main goals of the new government: „The government’s aim is to rebuild the welfare state around work“ and „Work for those who can, security for those who cannot“. Social inclusion is to be achieved through participation in the labour market.

A similar change in the discourse may be observed in *Germany*. The SPD called during its long period of opposition for some kind of renewed basic income. The green party in Germany even advocated to cut the links with the labour market: availability for the labour market should no longer be required (Lessenich 2000). However since the parties formed the government in 1998 they moved towards a discourse focusing on the disincentives argument (Schröder/Blair 1999; Schröder 2003). Since 2002 the SPD is undertaking a major reform of the welfare state in Germany. As revealed by the report of the Hartz Commission and the administrative working group on the integration of unemployment and social assistance, both assistance schemes were blamed for creating disincentives to look for work and for not activating the claimants. The shift of the perception is articulated by the remarks of a SPD member who represents the party in the parliamentary committee on social affairs (!): „there is a basic change of paradigms [towards activation] ... It’s our own fault, we as social politicians, with our mentality to treat everyone fine. Therefore it may of course happen that this thinking, this social thinking, over time turns into its opposite; that people are no longer motivated; why should they be if it’s working in a different way as well?“ (Interview, translation by the author).

The *redistributive discourse* prevailed in the countries which still had to complement their welfare architecture. The debate around the introduction of the RMI in *France* was framed in a specific concept of social exclusion rooted in French republicanism (Silver 1994; Kronauer 2002). According to this concept it is the responsibility of the state to ensure the inclusion of all its members. 'Exclusion' is understood as a "deficiency of solidarity, with society viewed as a single body within which the constituent parts (citizens) depend upon each other"

(Enjolras et al. 2001: 44). Fighting exclusion and promoting 'insertion' is therefore regarded as "a national imperative" and citizens "have a right to a decent means of existence from society", as the act establishing RMI declared in its programmatic first paragraph. Proving the consensus of the political actors the act was passed unanimously. However, during the 1990s the discourse shifted to SID as well. As the policies and the interviews reveal the issue of disincentives moved to the centre of the problem perception (1998 act on social exclusion, RMA; Interviews with Ministry of Social Affairs; MEDEF). The RMI was increasingly blamed for its failures with regard to labour market integration and the lack of obligation imposed on the claimants. However, there appears to be a split within the political left. While parts of the left accepted the focus on disincentives as the major problem, others call for an unconditional basic income as proposed prominently by the Belgian social scientist van Parijs (Enjolras et al. 2001: 52).

In an effort of 'competitive state building' it was mainly the regional governments (both elected politicians and executive officials) together with trade unions who pushed forward and implemented regional RMIs in *Spain*. The core idea was that programmes pursue the creation of a double right: access to a minimum income guarantee and to social integration (similar to French RMI's). The link between these two rights remained ambivalent. In some contexts, financial benefits meant integration of the beneficiary in social and economic life. In other, materialisation of double right was synonymous of the active compromise of the recipients in their process of social integration. As social assistance for able bodied on working age has a residual role it was expected that debate on labour-market disincentives were irrelevant (Gough 1997). However the possible impact of the benefit to create dependencies and/or work disincentives remained a constant matter of concern for the opponents of such schemes. E.g. Matilde Fernández, minister of social affairs, made references to this argument: "Give a man a fish and you feed him for a day. Teach him how to fish and you feed him for a lifetime". The reply to those criticisms was that regional minimum income programmes did not encourage passivity because they were oriented towards social integration of the recipients (Arriba 1999). So, the justification of the programmes was precisely their orientation towards 'teach fishing' against 'giving the fish'. Social integration or inclusion was consequently the consensus element. In the end, however, social assistance orientation towards activation is more a legitimating discourse matter rather than a set of mechanisms oriented to labour market.

In the *two Scandinavian countries* the *redistributive discourse* remains strong. The most salient issue here wasn't poverty but unemployment. The major conflict in the two Scandinavian countries between left and right political actors became the questions if the egalitarian character of the welfare regime was responsible for unemployment and if the expenses for ALMP could be sustained. While there seems to be a large consensus that the employment rates have to be raised the methods to achieve this target are different. The right parties accept the issue of disincentives as the major problem and call for increased incentives. These actors - particularly in Finland where the unemployment rate remains rather high - argue that efforts to produce equalised wage structures and living conditions create an insider -outsider system which excludes the unemployed and social assistance recipients from the labour market (SID). By contrast the left political actors want to maintain the traditional system of a comprehensive welfare state and call for major investments in ALMP as the main response to social exclusion (Timonen 2003b).

In *Switzerland* the discourse on poverty and social exclusion is largely focused on the group of the working poor. As the employment rate in Switzerland is rather high and studies pointed out that it was mainly single parents and families with children who suffer the highest risks of poverty, the debate has tended to focus on family policy and benefits as the most likely solution to fight the social problems of the working poor. While most of the parties stress the responsibility of an insufficient tax-benefit system, the trade unions blame low wages for the problem.

Most interestingly, even though the general discourses vary to a large extent, the *role assigned to social assistance* is quite similar across the countries. Almost nowhere the traditional provision of financial transfers to people in poverty appears to be accepted as an adequate policy. As Armindo Silva, responsible in the EU commission for the social inclusion process, argues: "Also common is the perception that social protection ceased to be a solution to the problem and became part of the problem, as prolonged welfare dependency creates in many cases disincentives for breaking the vicious circle of the poverty trap and attempting to get a foothold in the labour market" (2003: 62). Within the social inclusion discourse (SID) social protection and social assistance in particular has been transformed from being a solution to being part of the problem.<sup>16</sup> The French representative of the Ministry of Social

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<sup>16</sup> This ignores to some extent that the EU Commission itself has shown that level of expenditures in social security is closely correlated to the poverty rate (Commission 2003: 58; see Korpi/Palme 1998 for an

Affairs argues that RMI is "not a solution to the problem of social exclusion". The Swedish government states that the increase in numbers in the early 1990s „was perceived as a clear indication of an erosion of welfare and justice“ (2003: 21). Within the discourses of the German SPD and new Labour in the UK social assistance was regarded as part of the problem as it trapped people into inactivity as already pointed out.

There are only very few exemptions to this overall pattern. The first is found in the Finish policy map which mentions a governmental working group which argued in 2003 that for some people access to the labour market is no realistic option. They conclude that "the only realistic way of addressing poverty among this group is through improvements in basic security payments" (Timonen 2003b: 37). Another exemption is the announcement of the Spanish government to raise the level of the benefits to 70% of the minimum wage.

What distinguishes the countries is the preferred political solution to the 'illegitimacy' of social assistance. Even though 'activation' is used as a general frame of the reforms the concrete contents of the reform strategies reveal some significant differences which will be exemplified with a contrast between the Scandinavian and UK approach.

The policy strategy of the Scandinavian countries is to restrict social assistance to its residual character by consolidating the 'primary' social protection institutions - raising the level of unemployment benefit is the major concern of the Scandinavian trade unions which continue to possess a great influence on the political processes<sup>17</sup> - and to apply the basic principle of 'work line' to the social assistance scheme as well. Maintaining the comprehensive welfare state and achieving full employment are meant to be the appropriate way against social exclusion. Full-time employment is regarded as the crucial guarantee by both governments against poverty and social exclusion. The stated policy goals are to raise the employment rate in Sweden to 80% until 2004 and to 75% until 2010 in Finland. In the context of full

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explanation). The higher social expenditures the lower the poverty rate. In addition the "Real Worlds of Welfare Capitalism" study has shown that the major difference between the poverty rates in the US and the Netherlands is due to intervention through the welfare state. With regard to people of working age the most significant policy instrument has been analysed to be the level of social assistance (Goodin et al. 2000; Headey/Muffels 2003). In analysing the effects of social protection on poverty Nolan, Hauser and Zoyem point to the significant degree of difference between Ireland and the UK in their effectiveness to fight poverty and conclude: "the crucial factor has simply been in trends in the level of cash transfer paid (...) It is this rather than the increased role of means-testing *per se* which had the most direct impact on poverty rates for the unemployed..." (2000: 105-6).

<sup>17</sup> Timonen argues convincingly in her book on "restructuring the welfare state" that the specific pattern of welfare reform in Finland and Sweden may be explained to a large extent by the political power of the trade

employment the universal welfare state can be preserved. Both governments officially state their goal to reduce the number of social assistance recipients. In 1999 the Swedish government established the target to halve the number of social assistance recipients until 2004. The reform of the Social Assistance Act in Finland (1998) pursued the same goals but didn't mention any specified target. Work is a right and a duty for the citizens. ALMP is used to activate the recipients. In addition, it is not just the welfare recipients who are meant to be activated but the public institutions - in particular the municipalities and the PES - as well. While compulsion is no matter of great concern in the debate the issue of a living wage is. According to the egalitarian culture it has traditionally been unacceptable to demand people to work for a wage below the poverty line. Even though this tradition has eroded for the clients of the social assistance scheme there still remains a strong resistance to the introduction of subsidies for employers not paying sufficiently high wages (Timonen 2003a, 2003b).

While 'activation' is the term used in the UK as well its meaning is somehow different. While the New Deals provided for a comprehensive system of guiding it is not backed up by increasing expenditures on ALMP (see table in Annex). A fast transition into the labour market, into "real jobs", pursuing a Labour Market attachment strategy and the restructuring of the tax-benefit system are regarded as the appropriate welfare reform strategy in contrast to a strategy of human capital development or public job creation programmes.<sup>18</sup> The major instruments to 'make work' are the introduction of minimum wages and an enhancement of the traditional role of tax credits. It is in particular the tax credits which are meant to replace the stigmatising and dependency creating social assistance scheme as the major political instrument against poverty and social exclusion. While these policies have been established already in the early 1970s and are accepted by most of the actors (Government, Conservatives, employers and TUC), TUC and others point to the ambivalent character of that strategy. Tax credits represent "subsidies to employers who pay low wages (... this) distorts the labour market" (Interview Low Pay Unit). In consequence employers have no incentives to raise wage levels. This is the reason why the TUC was traditionally against tax credits. The TUC changed its mind because even a minimum wage of 5£ per hour - the TUC proposal - would not be enough to answer to the poverty problem amongst working poor. Nevertheless

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unions (2003a). The power of LO in particular has been confirmed - and partly criticised - by the interviewed persons.

<sup>18</sup> Public work programmes as well as a (re-)strengthening of the social insurance system would have been preferred by the unions. However, both proposals have been refused by the Blair government. One official of the Department for Work and Pensions explained why public work isn't necessary: „If you increase the supply of suitable labour that will in itself in time create more jobs. Economists can tell about that.“

two issues remain a problem: there is a low take-up of tax credits (estimated around 60%) and why should the tax payer subsidy 'bad' employers?

### *Instead of a conclusion*

There remain crucial uncertainties with regard to the proposed analysis as it is based on the interpretations of the WRAMSOC members and a limited number of interviews with selected political actors in the different countries. However, we regard the analysis as a first effort to explore the issue of shifts in the discourses on social exclusion and social assistance in a comparative way and hope to induce further and more sophisticated research into the subject. Jamie Peck argued in his book on *Workfare States: The transition towards workfare states is „a deeply politicised process, in which the nature of the policy ‚problem‘ is comprehensively redefined before being ‚solved‘“* (2001: 18; similar: Hall 1993; Levitas 1998; Torfing 1999). Indeed, our preliminary analysis of available resources points to a similar result: a shift in the discourse on social exclusion and social assistance towards the predominance of the social inclusion discourse (SID) seems to have occurred.

The primacy of the social inclusion discourse means that reforms proposing ‚activation‘ were on the agenda in most of the analysed countries: The Rehabilitative Work Act in Finland, the ‚Activity guarantee‘ in Sweden, the New Deals in the UK, the Hartz IV reform in Germany as well as the RMA in France, all share the heading of 'activation'. All of the countries expanded ‚activating‘ instruments in the social assistance and strengthened the obligations of the social assistance claimants to participate in these schemes. This move towards obligatory workfarist elements may be regarded as „something of a paradigm shift within social assistance provision“ (Trickey 2000: 281)<sup>19</sup>. However, it has also been pointed out that 'activation' is a complex issue which means different things in different contexts.

The ambivalent element in the emphasis on activation is that there is a certain danger of delegitimising non-labour market related work (as stressed by Levitas 1998) and neglecting the interests of the worst off for whom the prospect of integration into the labour market is no

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<sup>19</sup> This conclusion fits quite well with the results of research in countries not included in the project such as Netherlands and Denmark (Cox 1998; Torfing 1999; Lodemel/Trickey 2000). The ‚springboard‘ metaphor (Commission of Social Justice 1993; Cox 1998; Schröder/Blair 1999) is quite often referred to by interviewees in the WRAMSOC project as the major guideline of their strategy.

realistic option: „For most of those in poverty, what is most crucial is the level of income support.“ (Piachaud 1999, cited by Peck 2001: 325). Some empirical studies confirm that it is indeed the level of the benefit which constitutes the crucial element in the fight against poverty (Footnote 16). According to the social inclusion paradigm, however, the level needs to be kept low in order to raise or maintain work incentives.

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ANNEX:

Table 6: Selected data on labour market and poverty

	Unemployment rate		At risk of poverty Mid 80 - 90s		At risk of poverty (after cash transfers)			At risk of poverty (before transfers)	Persistent risk of poverty
	1990	2000	90s	Ch.	1995	2001	Ch.	2001	2001
Sweden	1.8	5.9	10.3	+0.5	9 (97)	10	+1	43	n.a.
Finland	3.2	9.9	10.8	0.0	8 (97)	11	+3	30	6
UK	6.8	5.6	19.5	+1.9	20	17	-3	40	10
Switzerland	1.8	2.7	11.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	9.2	10.1	13.5	-0.2	15	15	0	40	9
Germany	6.2	8.1	15.7	+3.9	15	11	-4	39	6
Spain	16.1	13.9	n.a.	n.a.	19	19	0	37	10
EU 15	8.3	8.4			17	15	-2	39	9

Sources: Unemployment rate: OECD 2002: 304; Data on poverty (60% of median income): Commission of the EU 2003; data for poverty 80-90s (60% median income): Förster 2000: 94f; Ch.: change in percentage points

Table 7: Spending on active labour market programmes

	Year	As percentage of GDP (1)	As percentage of GDP in relation to unemployment rate	As percentage of total (active and passive) spending
Finland	01	0.94	0.10	32.0
France	00	1.32	0.14	44.4
Germany	01	1.21	0.16	38.6
Spain	01	0.84	0.08	38.9
Sweden	01	1.39	0.29	59.2
Switzerland	01	0.45	0.18	48.0
United Kingdom	00-01	0.37	0.07	40.0
Denmark	00	1.58	0.36	34.3
Netherlands	01	1.74	0.67	48.0

Source: OECD 2003: 193; active labour market programmes include public employment services and administration, labour market training, youth measures, subsidised employment and measures for the disabled.