

# **Modernising Policy Paradigms and the Emergence of New Social Risks**

## **Key Findings from the Welfare Reform and The Management of Societal Change Project**

*Note: This paper draws heavily on the publications of the WRAMSOC researchers listed in the Appendix - for more details see: <http://www.kent.ac.uk/wramsoc>*

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## Summary: Main Conclusions

1. Internal rather than external pressures continue to be of greatest importance in influencing welfare state reform processes across Europe. Needs associated with the new social risks of the transition towards a post-industrial society are emerging alongside traditional social needs. Policy responses are shaped primarily by regime differences, but some convergence is taking place in specific areas.
2. Attention to new social risks is a key element in the shift away from welfare state policies loosely based on neo-Keynesianism and towards a modernising paradigm in social policy. This approach stresses the pursuit of welfare goals via mechanisms which promote labour market flexibility, enhance human capital and expand individual opportunities. It is understood to link economic and social goals in a 'virtuous circle' and to match the direction of current economic and social change.
3. The politics of welfare state reform to meet new social risks differs from that in more traditional areas. Old social risks directly affect the interests of substantial groups in the electorate, but new social risks tend to exert immediate impact on minorities. Social partners and, particularly, employers, are especially important in new social risk policy-making, and 'modernising coalitions' between political parties and groups drawn from the social partners are often important. Since actors other than the immediate new risk bearers are heavily involved in reforms, outcomes tend to reflect the interests of such actors to a greater extent than is typically the case with old social risks.
4. The EU has strong opportunities to involve itself in the new policies, particularly in relation to changes in labour markets and to women's access to and position in paid work, because activity at national level in these areas is less well developed, and national policy actors have not developed entrenched positions.
5. Progress in these areas is difficult to achieve since the balance of interests involved is typically complex. While it is difficult to establish whether the EU's Open Method of Co-ordination in social policy has a strong impact, it contributes legitimacy resources to particular actors and advances issues on the political agenda. It should therefore be pursued and expanded.

## **Main Recommendations**

1. The EU should seek to promote dialogues at which social partners and other policy actors can negotiate compromises, in view of the processes highlighted in the second conclusion. Directives on social dialogue contribute to this, but more could be done at the European level.
2. The risk bearers themselves should be directly involved in this dialogue, to that their contribution, as well as that of business, employers, unions and politicians can shape proposals (see the second and third conclusions).
3. The EU should also continue to pursue OMC policies vigorously and strengthen them by requiring national governments to consult social partners on issues and targets, for the reasons given in the fourth conclusion.
4. Enlargement requires the EU to engage with more diverse policy actors. For this reason, the above recommendations, and particularly the strengthening of arrangements for dialogue and for the conduct of OMC negotiations should be pursued vigorously.

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## **Modernising Policy Paradigms and the Emergence of New Social Risks: Key Findings from the WRAMSOC Project**

The WRAMSOC project analyses how European welfare states respond to current pressures. It examines changes in a range of areas in seven EU member countries and at EU level through reviews of policy issues and of recent policy development, and also through more than 250 interviews with key actors. The particular conceptual contribution of the project may be summarised in terms of two key distinctions:

- Between reforms involving *retrenchment* in response to fiscal pressures and to demands that welfare states contribute to competitiveness through cost savings, and *modernisation* to tackle the ‘new social risks’ and meet the ‘new aspirations’ of citizens in a changed context. Retrenchment is defined as responses which involve cut-backs or cost-saving reform within the existing structure of welfare; modernisation as responses which address a newly important need or involve new policy objectives and new mechanisms to meet them.
- Between the objective *economic and social factors* that influence the context in which the politics of welfare reform operates, and the subjective *understanding of those issues* by those actively involved in influencing and developing reforms. The latter influences policy learning and transfer, opportunities for coalition-building and the extent to which reform is to be understood as pursuing new directions, informed by new values and objectives, or as modification of within an existing framework.

The first distinction enables us to identify areas in which European welfare state policies are developing and redirecting their efforts to meet a changing agenda of citizen need rather than simply defending the state quo under changing circumstances. The second permits further development of this distinction in terms of the new goals identified as the objectives of reform, and the implications for welfare state politics. These distinctions are of particular importance in analysis of policy development at the EU level, since EU social policy-making is currently most active in the area of modernisation, and is principally concerned with enlisting support from member states for co-ordinated actions in pursuit of common goals.

The key findings of the project are:

- Needs associated with new social risks are emerging alongside traditional social needs across European welfare states. Policy responses are shaped primarily by regime differences, but some convergence is taking place in specific areas.
- In labour market and work-life balance policy the shifts generally reflect the ‘modernising’ paradigm, proceeding at varying speeds in different countries, and involve greater emphasis on individual activation and benefit conditionality. These changes result from realignments of modernising actors as well as from shifts in policy ideas.

- Since actors other than the immediate new risk bearers are heavily involved in the reform debate, the outcomes tend to reflect the interests of groups such as employers.

This report falls into four sections which discuss the conceptual background in more detail, review findings, consider the implications for policy-making processes and make recommendations at national and EU level.

## **I: Conceptual Background**

Recent discussion of challenges to and pressures on welfare states from population ageing, labour market change, economic globalisation, changes in the family and other factors supports three main points:

- A number of changes in policy direction have taken place, mainly in terms of retrenchment, recommodification and recalibration with some updating reform, but the different regimes seem remarkably resilient to pressures for convergence (Scharpf and Schmidt, 2002; Ferrera and Rhodes, 2000; Huber and Stephens, 2001: see Table 1);
- In assessment of the importance of different factors in generating pressure for change, internal factors (population, labour market and family change) seem more important than external ones (globalisation, transnational governance – see Pierson, 2001);
- The general outlook for the development of welfare states is bleak: ‘while reform agendas vary quite substantially across regime types, all of them place a priority on cost containment. This shared emphasis reflects the onset of permanent austerity...the control of public expenditure is a central, if not dominant consideration...the contemporary climate remains a harsh one for efforts to improve social provision...or to address newly recognized risks’ (Pierson, 2001, p 456)

Analysis of reform processes in the various countries indicate that this approach tends to stress constraint at the expense of innovation to meet new needs. Drawing on work by Bonoli (2003), Esping-Andersen (1999) and Jessop (2002) we develop the account of retrenchment and modernisation in terms of new and old social risks, distinctive in terms of political processes and underlying logic of reform.

### **New and Old Social Risks**

The post-war development of European welfare took place under highly favourable circumstances: continuous growth in economies characterised by large manufacturing sectors; stable nuclear family structures which provided care for young children, frail older people and other dependent groups; governments able to manage their national economies through broadly neo-Keynesian policies which achieved continuing low unemployment and secure wages; and political systems in which coalitions of working and middle class groups were able to press effectively for higher social spending. The outcome was the Keynes-Beveridge or Keynes-Bismarck welfare

state: governments managed economies to promote full employment and organised social provision for needs, such as retirement, unemployment, disability or child endowment, which market and family did not meet.

In the shift towards post-industrial society, growth rates are more uncertain, stable manufacturing sector employment is no longer available on a mass scale and economic globalisation tightens competitive pressures. Women's advance in education and employment and demands for more equal opportunities undermines traditional systems of unwaged social care. These changes create new social risks and a new reform agenda for the welfare state, alongside the existing policies to manage continuing old social risks.

New social risks are the possibilities of experiencing particular needs resulting from the economic and social changes associated with the transition towards a post-industrial society. These risks fall into three broad categories:

- Balancing paid work and family responsibilities, especially childcare or care for a frail elderly relative;
- Lacking the skills necessary to gain access to an adequately paid and secure job, especially important where employment contracts become more flexible;
- Losing access to satisfactory social provision through welfare state restructuring, for example, the recommodification of pensions.

The processes through which new social risks emerge vary from country to country. It should be stressed that Nordic countries in general have the most advanced recognition of these needs and the most developed policies to address them (Timonen, 2004).

### ***The Significance of New Social Risks***

From the individual perspective, new risks are typically significant but transitory and particular. The changes represent more serious problems for minorities at particular life-stages - those without access to adequate training or education, or who are unable to draw on child or elder care from the family or the state. Old social risks, to do mainly with retirement and ill-health, were more likely to form part of the continuing life-experience of the mass working class of industrial society. This has implications for welfare state politics.

From the perspective of government, the post-industrial transition leads to new constraints on and new opportunities for the welfare state, with implications for new social risk policy. While the costs of the traditional welfare state were often seen as a 'burden' on the wealth-producing economy, vulnerable to retrenchment in times of austerity, new social risk policies offer opportunities to draw new population groups (women with family responsibilities; young people outside the labour market) into paid work, and thus enhance competitiveness and cut social costs. From this perspective, new social risks offer opportunities for a 'virtuous circle' in which policies to meet economic and social goals reinforce rather than contradict each other

(Levy, 1999), often expressed as the ‘activation’ and sometimes the ‘modernisation’ of welfare states.

New risk welfare politics is concerned primarily with mobilising the population to enhance competitiveness and with expanding opportunities and changing behaviour and assumptions about responsibilities. While the mass services of the traditional welfare state generate their own constituency, new social risk cleavages are much more likely to cross-cut existing social divisions. At the same time, new possibilities emerge for employers and for those trade unions which represent workers most affected by new risks to form alliances in response to the shifts in the labour market.

### ***Modernising Policy Paradigms***

New social risks offer opportunities for new directions in policy, alongside the traditional approaches to old social risks. We used the notion of paradigm-shift new to define new policy directions and to identify the possibilities for alliances between different social actors provided by shared perspectives.

Hall (1993, pp. 278-9) defines a paradigm as ‘an interpretive framework’ involving ‘the framework of ideas and standards that specify not only the goals of policy and the kind of instruments that can be used to attain them but also the very nature of the problems they are meant to be addressing... a *Gestalt*’. He suggests that ‘policy makers customarily work within such a framework’. The notion of policy paradigm is used to sum up the shared core beliefs of a policy community. It includes ideas about the goals of policy; the identification of issues as problematic in relation to those goals; explanations of why problems arise; solutions to identified problems; explanations of why they will meet the problem; and definitions of the appropriate role for government and other actors (Hall, 1993, p.279).

Broadly speaking, Keynesian paradigms were dominant in industrial countries for much of the post-war period. These approaches included an account of the workings of political economy and of why a market system might be subject to unevenness and shortfalls in growth through mismatch in the availability of capital and investment opportunities at particular times (leading to depression or inflation). They also provide a recipe for economic intervention that explained how government could intervene through manipulation of interest and exchange rates in order to stimulate or restrain the economy. In this context, the traditional welfare state was generally legitimated at the economic level as intervention which redistributed to groups with a high propensity to consume, especially at times of demand deficit, and which enabled government to regulate demand through social programmes and social infrastructure projects. Meeting political pressures from the working class and other groups with pro-social spending interests could thus be reconciled with policies which secured the conditions for continued economic growth.

After the oil crisis of the 1970s, policy-makers in many countries lost confidence in this paradigm as traditional approaches to economic management became more difficult to pursue. The paradigm that emerged as most influential in Europe was loosely based on monetarist approaches (McNamara, 1998, p.6), with three main implications for policy:

- First, government's capacity to manage the level of economic activity through manipulation of exchange and interest rates is seen as limited by two processes: the expansion and globalisation of currency markets, which permits speculators to make profits by manipulations which have the effect of destabilising currency values; and the operation of highly competitive international markets in many goods and now services in which shifts in currency values and hence trading prices will cancel the effect of any interest rate policies. Governments are no longer sovereign in their own house in respect of the traditional levers of economic management.
- Secondly, deficit-financed spending is no longer seen as a virtuous engine for stimulating growth and countering unemployment in the downswings of the economic cycle, and the attention of policy-makers switches to methods of increasing flexibility and reducing obstacles to the operation of market forces across labour markets in order to mobilise a competitive work-force.
- Thirdly, in an internationally competitive economy, the cost of social welfare is seen primarily as a 'burden' on the productive sector (especially when highlighted as social insurance contributions bearing directly on wages) and must be justified in terms of its effect of the social policies financed through social spending on competitive advantage, rather than on welfare standards as such.

Throughout Europe, political economic paradigms were increasingly influenced by the assumption that the objectives of the welfare state are best advanced by ensuring that the market works efficiently, rather than through interventions which expanded the provision of benefits and services. Such an approach is implicit in the priority given to low inflation, low budgetary deficits and low public debt in the Maastricht treaty criteria for membership of EMU. As a recent President of the European Central Bank put it:

'Greater flexibility in labour, product and financial markets together with sound fiscal positions and wage moderation will support the objective of maintaining price stability and will create stable conditions to foster employment creation. Such an interaction of policies ... is the best possible way to enhance the long-term welfare of the citizens of the Euro area' (Duisenberg, 2002).

The chief achievement of EU policy-making has been in the construction of an open market across the continent and the success achieved in this has been far beyond what anyone initially anticipated. At the same time, the comparatively developed economies of Europe have succeeded in constructing European import controls which enable them to sustain internationally uncompetitive areas of activity, most notably high-return farming. EU economic policies have had an important impact on social welfare through the indirect effects of free market policies and of the Growth and Stability Pact in constraining spending and public borrowing. This has been diluted by the failure to implement penalties for Germany and France when they contravened

the Pact's borrowing limits from 2002, but seems likely to continue in a less stringent form.

Direct policies have moved in two main directions. On the one hand a series of directives and associated policies are concerned to establish a level playing field across Europe, with measures designed to safeguard equality of opportunity, health and safety at work and public health, rights of parents in ways that enable them to combine work and family life and social security systems, both work-related and at the assistance level. On the other, the process of seeking to negotiate compromise and convergence towards a common direction through 'soft law' while respecting subsidiarity has been systematised through the OMC. OMC policies are furthest advanced in the European Employment Strategy (EES), but are also being pursued in social inclusion and pensions and are under development in relation to health and long-term care.

The EES has evolved from an initial stress on flexibility through the four initial pillars of the 1997 Luxembourg guidelines (employability, entrepreneurship, adaptability and equal opportunities). The 2000 Lisbon conference started a process of establishing targets for labour force mobilisation which fit the model of ensuring the maximum competitive advantage through an active rather than a passive approach to meeting people's needs. The activation theme was strengthened further in 2003. The current draft of the 2004 guidelines continues the emphasis on adaptability and promotes 'make work pay' strategies, but also stresses making the work-experience more attractive, and investing in human capital to improve the quality of work (EU, 2004). The EU approach differs from the earlier OECD recommendations for enhanced flexibility through the free play of market forces (OECD, 1994) and promotes job-security and adequate return to workers as well as opportunities for work-life balance. This approach is sometime termed 'flexi-curity' and tends to endorse positive rather than negative approaches to workforce activation.

From this perspective, new social risks, which direct policy-makers' attention to skill mismatch, labour market inflexibility, work incentives and the opportunities and support available to women in relation to paid work, offer opportunities which may fit the developing paradigms of social policy-makers more closely than the high tax/high service spending approach of the industrial society welfare state. The paradigm-shift in economic policy plays an important role in the legitimation of new developments in modernising social policy. New social risk policy is central to these developments.

## II. Findings

Like many projects on EU policy-making, we faced the classic problem of too many variables and too few cases. We proceeded by case-study, analysing policy development and interviewing key actors in welfare states which reflected the range of regime types (Esping-Andersen, 1999, ch 5) and polities (Lijphart, 2001 ch 1) available in the EU (see [www.kent.ac.uk/wramsoc](http://www.kent.ac.uk/wramsoc) and the Appendix for more details).

Our work supports three main findings:

- Needs associated with new social risks are emerging alongside traditional social needs across European welfare states. Policy responses are shaped primarily by regime differences, but some convergence is taking place in specific areas.
- In labour market and work-life balance policy the shifts generally reflect the 'modernising' paradigm, proceeding at varying speeds in different countries, and involve greater emphasis on individual activation and benefit conditionality. These changes result from realignments of modernising actors as well as from shifts in policy ideas.
- Since actors other than the immediate new risk bearers are heavily involved in the reform debate, the outcomes tend to reflect the interests of groups such as employers.

Our analysis falls into two sections: section A, based on country reviews and policy maps (Deliverables 2 and 3) reviews recent developments and supports the first finding. Section B, examines current policy paradigms and possible future directions, taking the ideas of key actors into account. It supports the second and third findings, and is based on policy maps and interviews (Deliverables 3 and 4).

### **A: The Emergence of New Social Risks and the Policy Response**

The social changes associated with the post-industrial transition increase the possibility that specific groups will experience new needs. These give rise to the new social risks identified earlier, associated primarily with family and labour market changes and welfare state reform.

#### *Nordic countries*

Nordic countries have established traditions of social service support to enable women to function as citizen-workers, and the two case-studies included - Finland and Sweden - provide good examples. Both spend more than twice the EU average on services for women with children and about three times the average on services for older and disabled people (Table 2). The commitment to support for all 'citizen-workers' is reflected in the narrowness of the gap between men's and women's participation in paid work (along with Denmark, the narrowest in the EU) and the fact that, along with other Nordic countries, they comfortably exceed the EU's Stockholm targets (Table 3). Both countries also have well-developed schemes for ensuring that those without jobs have access to programmes to enable them to develop new skills and led the EU in Active Labour Market Programmes throughout the 1990s. However, recent cut-backs on spending in these areas (particularly in job subsidies in

Sweden) as employment improves, coupled with a greater emphasis on activation policies in corporatist countries, leads to a situation in which activation spending in the latter group now parallels or exceeds that in the former (Table 4).

The long-standing tradition of provision to address the issues which have emerged more recently as new risks in other countries generates a rather different structure of new social risks in Nordic countries from that elsewhere in Europe. Groups such as immigrants, lone parents, and large families have had to face increasing pressures during the last decade and are less well-served. In addition, recent welfare state reforms that curtailed the main pay-as-you-go financed state pension scheme and established compulsory private funded pensions alongside it, give rise to future possibilities for the emergence of new social risks among those whose private pension component performs badly.

Nordic social welfare systems have been broadly successful in maintaining incomes among those most affected by the recessions of the 1980s and early 1990s, and the consequent rise in unemployment and spending constraint, so that poverty levels remain the lowest in the EU and inequalities the least marked (Table 5). New risks in these countries are thus potential rather than actual. As a number of commentators have pointed out (Kuhnle, 2000; Esping-Andersen, 2002, p.17), the main issue confronting the Nordic welfare system is whether it will be possible to maintain the tax and employment rates necessary to sustain it in the face of growing international competition from countries with greater degrees of social inequality and lower spending. This issue also emerges powerfully in internal debates, with some influential private sector figures leading the case for greater flexibility in employment. Thus the emergence of new social risks in this context is shaped by the existing high level of universal and wide-ranging provision which caters effectively for the needs experienced elsewhere in Europe as new risks. Existing policies impose particular pressures on welfare provision and these seem likely to influence the extent to which reforms in the future may lead to the emergence of further areas of new social risks.

### *Corporatist countries*

The study includes the two most important European corporatist welfare states - France and Germany - and also Switzerland, where welfare reflects key features of corporatism, but in some areas achieves provision closely related to employment status through compulsory occupationally-related private insurance, rather than social insurance (Adema, 2000). In these countries old social risks policies have developed around the needs of a male bread-winner industrial working class, and new social risks present substantial challenges. There is one key difference: in relation to the risks surrounding women's access to paid work, France stands out among corporatist countries in terms of the extent to which it has developed extensive pre-schooling and child-care support policies which enable women to maintain a higher degree of commitment to paid work when responsible for young children (Table 6). However, women's overall participation in the labour market is close to the EU average and lower than that in most corporatist countries (Table 3). One development in the 1980s has been the APE benefit, for women who stay at home to provide mother-care for children. This may be responsible for a decline in recent labour market participation by mothers. The further extension of child-care provision is a major topic of debate. A national scheme of support for elder care emerged only in the late 1990s.

In general, new social risks in these countries have emerged in ways that are shaped by the existing structure of old risks welfare: the Bismarckian model resulted in relatively weak provision for child-care in Germany and Switzerland, and provision has expanded only recently. Christian Democrats in Germany have tended to stress the equal worth of paid work in the formal labour market and care work in the home. In 1986 the Kohl government implemented a major reform of parental leave and of other policies which had the effect of promoting part-time working for women. More recently, Social Democratic/Green Party federal governments have pursued policies which encourage state governments to extend the primary school day and increase provision of child-care, through specific subsidies and more indirect support. The political conflict over mothers-at-home benefits against day-care provision has some similarities to that in France in the 1990s. In Switzerland much provision is cantonal, but very recently federal subsidies have been provided to promote day-care.

In all three countries, in line with an approach to welfare that focuses primarily on the needs of male industrial workers, care for older people tends to be provided informally and supported through local assistance schemes. Both France and Germany enacted national schemes to provide benefits to older people to enable them to pay for care (from relatives or others) in the 1990s - the German scheme was a new pillar of social insurance, the French scheme was tax-financed. Both schemes do not provide sufficient resources to cover full care costs and have been subject to continual debate and reform. Thus the existing policy model shapes the way new social risks have emerged in relation to child and elder care. Recent policy responses have involved substantial change to the system, and are a focus of political conflict.

For labour market policy, the old social risks regime was designed in the context of broadly neo-Keynesian labour market management. Social insurance is shaped round the interests of established industrial workers. There is little opportunity for those who are weakly unionised, who work part-time or are on short-term contracts to present their interests. The response to the pressures on employment in Germany and France through the 1970s and 1980s was to expand early retirement schemes - 'welfare without work' - which defended the interests of labour market insiders by reducing the supply of workers who might compete for their jobs and providing adequate pensions for those no longer needed. This restricted the access of other groups to stable employment and increased the numbers competing for the newly developing areas of work. Those without relevant skills were at high risk of social exclusion. By 1992 over a third of unemployed people in both countries had been without work for more than a year (OECD, 2003b, p.20).

During the 1990s there has been a tendency to cut back early retirement schemes, to promote more limited and flexible work contracts that do not carry the expensive social insurance contribution obligations of established jobs and to develop extensive activation programmes, particularly through training and subsidised employment (OECD, 2003a, Table H). Concern about social insurance contributions in France centred on the issue of how far employment costs damaged the competitiveness of national industry. French social insurance contributions raise 15.2 per cent of state revenue and are the highest in Europe (Table 7). They bear particularly heavily on employers, fuelling anxiety among business groups.

In France, the reforms have been part of the process whereby a 'second world' of means-tested support has developed alongside the social insurance system to meet the needs of groups weakly attached to paid work. Such social inclusion spending has increased at just over one and a half times the growth rate of state spending as a whole between 1991 and 2000 (Eurostat, 2003a). A negative income tax (*Prime pour l'Emploi*) has been introduced to enhance work incentives. Insurance unemployment benefits have been reformed to increase pressure to pursue work.

In Germany, the fact that economic growth was the slowest in Europe throughout the 1990s (at 1.3 per cent, roughly two-thirds the European average - OECD, 2003b, p. 14) dominated political debate on labour market reform. Debates about insurance contributions were also coloured by concern about electoral punishment as the gap between gross incomes and take-home pay grew wider. Employee contributions are roughly equivalent to employer contributions and amount to some 21 per cent of gross wages - 6.5 per cent of GDP, the second highest proportion in Europe (Table 7). Reforms have emphasized job subsidies (especially in the context of the dislocations to the labour market resulting from the reunification with the East) and on the promotion of 'mini' and 'midi' jobs to enhance labour market flexibility. A particular concern was long-term unemployment - highest in Europe after Italy and Spain (Table 3), and continuing to rise to 48 per cent of all unemployed by 2002 (OECD, 2003b, p. 20). The 1998 Red/Green government initially reacted against the more liberal measures of the previous government, but by 2002 was implementing tougher entitlement criteria, stricter activation measures and introducing a new more directive means-tested benefit for the long-term unemployed.

While unemployment in Switzerland has remained relatively low by European standards, the levels reached in the mid-1990s (5.7 per cent by 1997) were sufficiently high to generate intense policy debate. Social contributions are much lower than in other corporatist countries, since so much of pensions and health care is financed through occupational insurance. However, increased claims jeopardised the finances of the schemes. The legislative response in 1995 incorporated both increased contributions and time limits on entitlement (to restore financial stability) and subsidies for cantonal activation programmes. This enabled a compromise between the programmes of right and left parties and the interests of employers and unions to be achieved, in keeping with the consociational basis of Swiss policy-making.

The impact of welfare reforms in creating further risks has applied mainly to pension restructuring in France and Germany and to those whose access to unemployment benefits is curtailed and who are required to enter negative activation programmes. In both France and Germany, changes to the well-established, expensive and potentially costly pension systems have involved a number of legislative measures and protracted political conflicts in a policy area previously marked by consensus. Both countries have enacted reforms which change entitlement formulae and contribution requirements to contain future costs. In Germany, a small optional private funded pension has been established alongside the state scheme, but this has attracted relatively few savers. In France the expansion of private saving through life insurance and similar vehicles indicates a declining confidence in the capacity of state provision to maintain former standards. The German scheme is highly regulated and there is considerable debate about the extent to which the restrictions limit returns and deter investors.

Old social risks policies clearly play an important role in regulating the emergence of new social risks in corporatist countries in two ways: passively by ensuring that resources are directed to the particular needs of a life-course structured by the traditional industrial labour market (so that policy-makers have been slow to recognise the new needs of mothers and carers seeking to enter paid work and those unable to access employment); and actively by reinforcing labour market structures and systems of family life which compound the exclusion of such groups. Policy-making has been delayed by struggles between reformers and the entrenched interests surrounding old social risks policies, who typically have access to a range of veto-points in corporatist systems, and is in most places incomplete.

In general, new risk policies in these countries have involved departures from the pattern of old risk policy-making, although there are national differences. Most reforms have been based on tax-financed provision (the exception being the new German long-term care insurance benefit). Most have involved provision targeted on particular groups, and the policy departure involved in the construction of a system of targeted support outside the social insurance regime has been particularly significant in France. There have been new departures in policy-making concerning the de-regulation of some aspects of paid work and the re-regulation of private sector care services and pensions. The responses to new social risks do not sit comfortably within the established structure of the corporatist regime.

New social risk policy-making has led to political conflict over welfare and has contributed to the break-down of the inter-party consensus on social policy in Germany during the 1990s. Conflict continues in both France and Germany, centred on labour market and pension reform but also involving provision for long-term care.

### *Liberal countries*

The UK is the foremost example of the liberal regime in Europe. Here new social risks needs were largely neglected by the self-consciously monetarist Conservative governments in the 1980s and 1990s, on the assumption that a freer and more flexible labour market would absorb those at high risk of unemployment, and that child-care could also be managed primarily through the market. Specific policies to meet such needs formed a major part of the New Labour programme from 1997 onwards. This approach followed the central theme of the Liberal model: highly targeted provision, directed at the enhancement of market success. It involved new departures in the UK context (substantial extension of policy intervention in areas which had previously been treated as largely private concerns and enhanced regulation of the private sector) and was linked to a modernised social democratic agenda of the promotion of citizen interest through equal opportunities and supportive provision.

New social risks in the UK have emerged in ways influenced by the existing welfare system and particularly by the weaknesses in provision that result from reliance on the market. Child-care provision had been limited and largely privately-provided, so that, while female employment is relatively high (Table 3), mothers are much less likely to engage in paid work than elsewhere, or to move from full-time to part-time employment (Table 6). The shift away from traditional industrial bread-winner employment was more rapid than in most other European countries. The proportion

of the labour force employed in the industrial sector in the UK fell from fourth highest in the EU after Germany, Spain and Italy in 1991 to fifth from the bottom (exceeded by France, Sweden, the Netherlands and Greece in 2001 - OECD 2003b, p. 16). Privatisation in areas such as pensions opened up potential new social risks among those with low or uncertain incomes. The relatively deregulated labour market combined with weak provision for more vulnerable groups had produced high levels of poverty and inequality (Table 5)

The policy response by New Labour was to establish targeted schemes directed at specific need-groups, to promote vigorously a 'make work pay' strategy and to seek to extend the regulation of private provision. The national child-care strategy relies principally on the expansion of private provision, and payments for care are subsidised through targeted tax credits. Direct provision of extra places is focused on areas of high deprivation. Long-term care is also chiefly financed privately (with some means-tested state support) and provided mainly through regulated private agencies. The New Deal programme is designed to activate unskilled labour market entrants and other groups among the unemployed, and is targeted through means-testing. 'Make work pay' policies include a national minimum wage, set at a relatively low level, the indexation of short-term benefits to prices rather than earnings and targeted support for low-paid people through tax credits. The overall objective is to reduce poverty by mobilising those on low incomes into paid work.

New risks resulting from welfare state reform are most obvious in the area of pensions, where the continuing policy of shifting the majority of pension provision to the private sector led to inadequate provision for some groups. The government has been unable to establish a regulatory regime which will both guarantee the security and adequacy of pensions and provide suitable incentives to the industry to supply them. One result of the recent strengthening of regulation and the increased recognition of demographic pressures is that many occupational schemes have closed or been restructured on a 'defined contribution' basis, and employers have taken the opportunity to cut their contributions. The gap between current pension savings and the amount necessary to ensure adequate provision is estimated at £27 billion and continues to increase (Wyman, 2001, p.24). Incentive policies have failed to encourage employers or individuals to prioritise saving, and government has strengthened targeted provision for the poorest pensioners through a substantial extension of tax credit to this group.

In general, the approach to new social risks of the Liberal regime reflects the key features of the Liberal model - targeting of state help and a reliance on market forces. The New Labour version seeks to use these techniques to achieve ends closer to those of social democratic states, so that its interventions are on a greater scale than is customary in the UK and extend to new areas. Commitment to welfare goals through private market means also highlights issues of control which emerge in the areas of child and elder care and pensions, where it is necessary to regulate private suppliers, and in labour markets where a minimum wage regime has been established. In all these areas conflicts between providers and government have developed. In relation to long-term care, government has been forced to abandon a proposed regulatory standard in order to ensure continuity of provision from the private sector. In pensions, government has been unable to address the problem of introducing compulsion for occupational providers or for individuals in relation to pension

savings because this would conflict with the market principle of autonomy, and is thus unable to deal with a substantial and growing pension savings gap.

### *Mediterranean countries*

Spanish experience typifies many of the issues facing Mediterranean countries. New social risks have emerged most powerfully in relation to high levels of unemployment, especially among young people (over 22 per cent for 15-24 year olds in 2002 - OECD, 2003b, p.20), and for the long-term unemployed where the rate is the highest in Europe after Italy, Greece and Germany (Table 3). They are also beginning to appear in the conflict over reconciling work and family life for women. As the table shows, women's overall employment rate in Mediterranean countries (with the exception of Portugal) is the lowest in Europe, although engagement in full-time work is closer to the European average and higher than in liberal and some corporatist countries.

Existing old social risk welfare systems are less well-developed than elsewhere and have influenced the emergence of new risks through the weakness of provision for those without secure labour market attachment and dominant assumptions that women provide informal care. Family solidarity has traditionally sustained more vulnerable members, and help to manage issues of poverty in the absence of robust state support. New social risk policies that deregulate employment have intensified the risks for some groups. Limited access to secure jobs and weak assistance benefits contribute to the highest poverty rates in Europe and highly unequal societies (Table 5)

The chief policy direction in relation to the labour market has been the slackening of regulation, most notably through legislation passed in 1994, with the result that about a third of the Spanish labour force hold short-term contracts. There are targeted benefits for the long-term unemployed, and a regional system of means-tested support (*Rentas Minimas*) has developed through the initiatives of meso-level government.

The main new risks to emerge from reform of old risk policies concern labour market deregulation. Policies designed to promote flexibility and competitiveness in the context of globalisation and membership of the Single European Market impose new risks on those who become vulnerable to unemployment. The welfare settlement contained in the 1995 Toledo Pact and confirmed in 2003 appears to ensure stability for the medium-term future. However, there are real concerns about the pension prospects of workers with interrupted contribution records on the part of left-wing parties and unions.

Plans to promote more equal opportunities for women have emerged. Child and elder care provision is limited, local and variable. Legislation for modest long-term care provision has been postponed repeatedly since 2000. A new system of tax relief for child-care costs has been introduced, of more value to middle-class women, who pay more in income tax.

Mediterranean welfare states have not developed extensive new social risk policies. One result is a dramatic decline in fertility, since women are unwilling to balance the roles of informal domestic carer and paid worker and opt increasingly for the later

(Castles, 2003, p 209, Moreno, 2002, p. 6), but this issue is only now entering policy debate.

### *The EU level*

The EU pursued various attempts to promote strategic harmonisation through the 1980s and early 1990s, culminating in the Social Policy Green Paper of 1993 (EU 1993). The failure to generate a coherent programme of reform, and the later scaling down of the 4<sup>th</sup> Poverty programme, signal the rejection of any attempt to develop a proactive social policy. The commitment to subsidiarity means that the EU is insufficiently interventionist to influence the emergence of new social risks directly. However, economic policies – the Open Market and associated Growth and Stability Pact - have had an indirect influence on social issues. Industrial restructuring associated with freer European competition impacts on the pressures for greater labour market flexibility and for reduced labour costs at the national level, and contributes to the reforms in the more regulated labour markets of corporatist and Mediterranean countries. The pact imposes additional pressures for spending constraint and these have contributed to policies such as the round of pension reforms that took place across Europe in the early and mid-1990s (Lintner, 2001, p330). Many of the national policies discussed above have been pursued in the shadow of EU economic policy. Enlargement, which will broaden the open market to include more diverse economies, at different stages of development, is likely to increase pressure for economic flexibility, with repercussions for social policy.

An important set of recently developed policies attempts to influence reforms at the national level through targets set in the so-called Open Method of Co-ordination (OMC). This influence is applied at the level of policy outcome, with the choice of measures left to the individual state. The five year impact evaluation of the European Employment Strategy (the most advanced OMC policy) concluded that ‘there have been significant changes in national employment policies, with a clear convergence towards the common EU objectives’, and high-lighted activation policies, employment-friendly labour taxation, greater flexibility and improvements in child-care (EU, 2002c, p1). While policies which promote activation, reform tax to reduce labour costs, advance equal opportunities, expand child-care and encouraged the availability of more flexible jobs can be identified in EU Member countries, it is hard to establish how far these developments are the outcome of EU-level activity or of more far-reaching and simultaneous social and economic changes. The report admits that labour market participation is still ‘far below the Lisbon targets’ (EU, 2002b, p.16) The lack of EU-level enforcement mechanisms (as exist in relation to economic policy – EU, 1997) and of subsidies to promote the required changes makes major departures in reform inspired at the EU level unlikely.

Directives in areas such as parental leave and working time have required national governments to improve the level of provision to a common standard and, perhaps more important, stimulated ‘surprisingly far-reaching effects’ in voluntary reforms, substantially exceeding required minimum levels (Falkner and Treib, 2003, p 20??). In relation to the social insurance central to much of European welfare provision, the European Court of Justice has tended to interpret the relevant directives (1408/71) in such a way that the capacity of national governments to maintain the territorial integrity of their own basic welfare systems, such as first pillar pension schemes is

assured (see Ferrera 2004, who quotes Giubboni, 2003). Current discussion of the draft directive (2003/41/EC) on third pillar pension funds indicates a strong commitment to open market principles so that cross-border provision is supported within a common regulatory framework. The legislation contains numerous temporary derogations lobbied for by national governments and specifically excludes national social insurance schemes. Thus an accommodation between market freedom and national welfare systems is achieved. How this will develop in future, as national pension schemes experience increasing financial pressures and recommodification via an expanded third pillar becomes an increasingly attractive option, is uncertain.

EU 'soft law' also provides legitimacy resources to national policy actors and acts as a catalyst in the formation of coalitions - for example in relation to assistance in Spain, the introduction of assistance in Portugal and similar developments in other Mediterranean countries (Matsanganis et al, 2003, p. 652) or for pension reform in France (Palier, 2003, p. 5) – and has stimulated policy-learning (O'Connor, 2003, p.12). Whether the OMC provides a setting in which more directive policies will be possible in the future is at present unclear. Conversely, it may be argued that 'the open method is a considerable threat to existing policy advance in European integration' on the grounds that the establishing of OMC practice with no enforcement mechanism institutionalises and legitimates national differences (Chalmers and Lodge, 2003, p.15).

### ***Path-dependency and weak convergence***

First, existing welfare policies have shaped the emergence of new social risks in various European societies. Thus regime differences, determined in large part by responses to old social risks, are powerful factors in influencing the pattern of new risks that different European countries now recognise. Secondly, however, the new social risk policies now being developed do not invariably reflect the characteristics of the existing old social risk regime. In Nordic countries, where new risk regimes were established earlier, the risks are in general catered for within the existing settlement. The emerging 'second-stage' new social risks for groups such as migrants may be tackled through extension of those policies. In the corporatist countries, which make up the majority of European welfare states, new social risk responses indicate new directions in welfare, but reforms are currently incomplete so that the scale of change is uncertain.

In cases such as France, this may be understood as the emergence of a parallel 'second world of welfare', means-tested and tax-financed, alongside the social insurance system; in Germany it represents a drift away from the Bismarckian basis of state welfare in the face of pressing labour market issues. In Liberal countries the pattern of previous provision (targeted responses and a reliance on the market) may be identified in new social risk policies, although there is a simultaneous contrary shift to greater regulation. Development of new social risk policy appears limited in Mediterranean countries, in part because strong family systems have so far provided informal child-care and cushioned the high levels of youth unemployment. There are indications that younger women may not be willing to participate full-time in paid work and act as traditional informal household carers. The moves to deregulate employment are a new direction in the context of the Mediterranean regime.

New social risk reforms are shaped overall by path-dependency, but involve in some contexts new departures. The instruments used to tackle the needs vary. A decline in the contribution of social insurance contributions to the finance of state spending may be noted among the Corporatist countries (particularly in France, which has the greatest reliance on this system of finance in Europe) leading to some convergence, and reflecting the growth of tax-financed welfare among this group (Table 7). Labour market controls have been loosened in corporatist countries to assist the creation of jobs with low social contributions, although in the liberal UK the implementation of a minimum wage implies somewhat stronger regulation for the most vulnerable groups.

The impact of the EU's OMC and associated 'soft law' policies on weak convergence is at present unclear. Directives do set standards in labour market related areas such as equal opportunities and parental rights, and do establish a role of private market welfare provision which has exerted some influence. Most importantly, the EU's economic and fiscal policies influence the resources available for social welfare and reinforce the pressures of economic globalisation on debates about labour market policy, particularly in relation to flexibility and social insurance labour costs.

## **B: Paradigm-Shifts and Modernisation**

We now consider the part played by shifts at the level of ideas and in the alignments of policy actors in recent policy-developments in relation to labour markets using material from policy-maps and interviews (Deliverables 3 and 4). Detailed examination of data for Germany, Sweden and the UK provides an overview of examples in different welfare state regimes. A more comprehensive analysis is provided in Taylor-Gooby et al, 2004, Kananen et al, 2004 and Larsen et al, 2004 – see Appendix.

### *New Labour Market Policies*

#### *Germany*

The combination of low growth, high unemployment and persistent youth and spectacularly high long-term unemployment bring home the difficulties faced in the German labour market (Table 8). Major policy reform is now in train. There is now much stronger emphasis on activation through 'make work pay' policies, with support from job-guidance and case-management within a single institutional structure, and the assumption that simple regulation of labour supply, combined with passive benefits, is adequate, is no longer widely accepted. The political basis of policy-making has also been restructured, from the broadly consensual basis of developments up to 1993, to a situation in which the party of government seeks to impose a solution within the constraints of the German federal and divided political system.

The CDU/CSU coalition instituted the reforms which restrained spending on job creation and toughened activation in the 1997 Employment Promotion Reform Act (EPRA). This strategy was effectively adopted by the modernising leadership of the Red/Green alliance after 1998 and extended to policies which integrate unemployment assistance into social assistance and further strengthen the

mechanisms for promoting labour market entry through benefit constraint and case management. The success with which government was able to pursue these policies depended in large part on particular opportunities in the German system which enabled progress to be made. In fact the SPD held a veto-position by virtue of its majority in the Federal Council at the time that the EPRA was proposed. However, the government simply eliminated the only measure requiring Federal Council approval (abolition of 'primary unemployment assistance' - available to some uninsured groups) from the legislation so that the possibility of second chamber veto was sidestepped. The benefit was in any case closed down by the SPD in government in 1999.

The SPD-Green Party government from 1998 initially sought to re-establish consensus through the Alliance for Jobs, without much success. The Hartz reforms which drew on a 'make work pay' philosophy were brought forward in the run-up to the 2002 election, when unions and SPD members found it difficult not to voice support for the Centre-Left government policies. The CDU/CSU opposition were in a difficult position, since the commission comprised experts and even included one CDU member. The government was ultimately forced to make concessions on the expansion of less regulated 'mini-jobs' since the CDU/CSU retained a majority in the Federal Council. The strongest opposition however was to the reforms to assistance and the 'make work pay' package from unions and other actors who traditionally supported the SPD. The representative of the labour market section of the DGB was heavily critical of Agenda 2010 and rejected the argument that the 'make work pay' strategy might support growth: 'I don't see any element which is positive for the economy' (interview August 2003). The Chancellor was forced to mount an extensive campaign to promote the reforms, as described earlier, but succeeded in pushing the next stage of the agenda through. The programme of labour market reform remains incomplete and future developments are uncertain.

This brief discussion indicates that labour market policy in Germany has undergone a paradigm shift. All the policy actors interviewed concurred to different degrees: 'the need to reform labour market policy has become obvious' (CDU interview); 'we have to adjust' (SPD interview); the interview with the BMWA (Ministry of Labour and Economy) referred to 'a paradigm shift' and 'rethinking'; and the DBG (Trade Union) claimed 'there has been a fundamental change in the perception of the function of active labour market policy'. In the past, there had been a consensus among the main actors on the traditional 'welfare without work' approach. The pressure of rising unemployment, escalating public spending and slow growth called this into question. The goal of securing greater labour market flexibility through individual responsibility and incentives has partly replaced that of high employment by early retirement and job subsidy. Policy instruments of activation through benefit constraint and case-management were substituted for labour reduction and job creation. The setting of instruments in terms of benefit levels and entitlement and job search and acceptance rules were also changed.

However, while these shifts can be seen in terms of the substitution of one paradigm for another, the question arises of what leads to this shift. One argument is that it is a case of policy-learning among policy actors, and the process whereby the SPD shifted its policy stance between opposition and government, dramatised in the resignation of Lafontaine, fits into this framework. However, it also involves other political

processes. Two are of most importance: first, the consensus approach to labour market policy, by which the party of government used its position to negotiate compromise, rather than promote and enforce a particular policy direction, is no longer pursued. This is a significant shift within the German tradition of policy making. Secondly, the role of the trade unions appears to be in decline. They were unable to assert themselves against the CDU/CSU reforms after 1993, achieve access to the policy agenda through participation in the alliance for jobs or affect the implementation of Agenda 2010 report, either through direct pressure or through contacts with the SPD. As the DGB representative remarked ‘the DGB proposal has not been prominent in public debate’.

At present the general picture presented by government, SPD, CDU and employers betrays substantial similarities: BMWA representative: ‘traditionally active labour market policies were meant to be public works programmes or qualification measures, there is now a steadily increasing part of expenditures devoted to ‘make work pay’ instruments and support to self-employment’; senior member of SPD group on labour market policy: ‘a basic change of paradigms – from administration of the unemployed to activation’; CDU spokesperson on labour market policy: ‘the principle of Fordern and Fördern (carrot and stick) needs to be fully implemented...passive transfers of resources are no longer the appropriate way...there is a need to strengthen the obligations of recipients’; BDA (Confederation of Employers’ Associations): ‘the labour market policy cannot provide jobs, this has to be done by enterprises in the regular labour market...Agenda 2010 is welcomed and is seen to be on the right track’. Thus the reform process, as it has so far developed, indicates a paradigm shift among policy makers, but one that takes place in the context of a realignment of policy actors. The outcome is not simply a process of policy learning in the transition from one paradigm to another, but must be understood in terms of the political opportunities and constraints imposed by shifts in power resources.

### *Sweden*

Unemployment in Sweden rose rapidly in the early 1990s following a severe recession, but has now fallen to 4.9 per cent, well below the EU average. Long-term unemployment remains high, and has risen since the early 1990s indicating that labour market problems are focused on specific groups (Table 8). Employment rates are currently at an average of 72 per cent of the working aged population. High female participation and the Swedish dual-earner model contribute to the comparatively high employment rate. Part-time employment is relatively common (about 22 per cent of all contracts), and the full time equivalent employment rate is 68 per cent.

Compared to France, Germany and the UK, the structure of the Swedish labour market is characterised by stronger regulation (Gallie and Paugam 2000, 1-25). The tax-benefit system and other labour market institutions keep the reservation wage relatively high. There is no low wage economy, the earnings dispersion is relatively narrower, and the public sector is a more important employer (21.2 per cent in 1998, OECD 1999b). Wage setting is heavily centralised and strictness of employment protection legislation is at an average OECD level (OECD 1999a).

The social democratic party has traditionally had broad support among the population, and has ruled the country for most of the post-war period. According to the constitution, the government must have a majority in the parliament. Usually the strongest party forms a coalition with another party, making the political system more consensually-based than, for example, in the majoritarian UK (Lijphart 1999). This is reflected in policy-making in employment. Benefit cuts were avoided as much as possible during the recession, and the public deficit increased instead. The trade-off between equity and efficiency in the labour market is acknowledged in the current discussions, but the aim is not to lower structural unemployment through labour market deregulation. Remodelling labour market institutions on efficiency grounds is highly unlikely because of the support they enjoy among policy makers and the people.

The unemployment benefit system has recently been subject to many reforms, and the current maximum duration of the earnings-related component is 300 days. There is an 'activity guarantee' targeted at long-term unemployed which involves participation in ALMPs after the first 100 days of unemployment. Participation is compulsory in order to receive full unemployment compensation. Benefit administrators now have discretion over whether those participating in activation measures may continue to receive earnings-related benefit (apart from over-55s who have are formally entitled - Hytti 2002, 336).

There is strong concern about hidden unemployment among those on sickness and disability benefit – currently 13 per cent of those of working age (Hytti 2002, 334). Sweden is among the highest spenders of ALMPs. The most significant challenge for the Swedish labour market is whether it can maintain its extensive institutions and structures in a competitive global environment.

Strong commitment to a high level of citizenship welfare state provision emerged in virtually all the Swedish interviews. The left and the trade unions were in agreement that full employment should be the policy goal. The political right were more enthusiastic for a dynamic and flexible labour market as a response to increased international competition. However, the right and representatives of employers' organisations agreed on the need for state-provided basic security at the current generous level, and on the goal of ensuring the survival of the welfare system. They also wished to maintain the goals of freedom of choice (the liberal party) and improved support for private enterprise (the Christian Democrats).

Most of those interviewed regarded the increase in sickness benefit claimants as the main problem in the current benefit system. For example:

*'Everybody should have the opportunity to work, and work must always be economically more rewarding than benefits. E.g. social assistance fails to motivate to work as all income from work is offset against the assistance. The massive increase in the numbers of [sickness benefit recipients] is also a problem. Many unemployed people have moved on to become sickness benefit recipients.'* (MP, The Liberal Party, 2003).

Representatives of the trade unions interviewed (LO, SACO, TCO) and the representative of the Liberal party expressed concerns of the low ‘insurance ceilings’ as a problem with regards to the credibility of the benefit system. The level of earnings above which no earnings-related compensation is received is limited in the Swedish unemployment benefit system, and this level has been decreased as a result of recent reforms. The trade unions see this as a threat to the insurance principle, as contributions are not being sufficiently rewarded.

Many interviewees expressed concern about the threat of labour shortages and an ageing population. The proposed solution is to reduce the numbers on benefits. Throughout the Swedish discourse, the primary answer seems to be training and activation measures, reflecting a positive solidaristic approach, rather than an increase in incentives through lower levels of benefits.

*‘The main future challenge is maintaining high levels of education and a highly skilled work force, and reaching full employment’ (MP, SDP, 2003)*

The trade unions would be happy to see an increase in the social insurance ceilings as a solution to the threat to the insurance principle, which would of course increase spending on unemployment benefits. None of the SDP representatives mentioned this approach. The representative of the Liberal Party, however, claimed that there must be concrete returns on the taxes people pay.

*‘People pay taxes first and foremost for selfish reasons, so that they can be sure of getting good health care for themselves and good education for their children’ (Liberal MP, 2003)*

The representative of the Confederation of Swedish Enterprise suggested that employment rates should be increased by shortening education, and increasing the retirement age. This is a work-centred proposal, but, significantly, is directed at enhancing the conditions for high social spending. It is to be achieved through better work opportunities rather than cuts in retirement benefits and education grants.

The striking feature of the Swedish interviews, compared with those from the other countries, is the relatively high degree of consensus on the desirability of maintaining a high-spending welfare state. It is particularly telling that representatives of right-wing political parties and of employers’ organisations, when they express anxieties about aspects of welfare policy, do so in the context of concern about impact on the capacity to maintain current levels of social spending rather than on greater competitiveness or economic efficiency as the objects of policy. Nonetheless there is disagreement on issues such as the effect of high levels of sickness benefit on work incentives and the need to ensure that as many people are included in the workforce as possible, to meet the extra demands of population ageing. Whether Sweden will be able to sustain a broad consensus on citizenship welfare in the context of these pressures is unclear.

### ***The UK***

The UK’s distinctive majoritarian system of government gives the party in office very substantial authority, enhanced by the weakness of opposition parties during the last

two decades and the administrative strengthening of the executive (Taylor-Gooby, 2001, p.149). The liberal leaning welfare system contrasts with that across most continental Europe.

Economic growth was relatively slow in the 1980s, but has recently accelerated to one of the fastest in Europe (Table 8). Unemployment followed the trajectory of increase through the late 1970s and 1980s noted elsewhere, but declined during the 1990s. Youth and long-term unemployment remains persistently high, although there has been some decline in recent years. Worklessness increased from about 10 per cent in 1979 to over 20 per cent by 1996, and has been identified as a major policy issue (DSS, 1998, p. 3). In keeping with the liberal bias, benefits are relatively low, average out-of-work income maintenance at 27 per cent of GDP per capita being the lowest in the EU apart from Ireland (EU, 2002 chart 12). There is considerable emphasis on means-testing (at 16 per cent of benefit spending, the second highest in the EU, 2002, Chart 6). Low pay, measured as the proportion of the workforce receiving less than 60 per cent of the median wage (21 per cent) is the highest in the EU (Eurostat, 2002a). Income inequalities are relatively large. At 0.345, the Gini coefficient is the highest among the European countries included in the Luxembourg income study, (LIS, 2004). Spending on job creation, early retirement and other Bismarckian strategies, as well as on positive activation strategies remained low during the 1980s and 1990s, although the high rate of youth unemployment led to spending on that group.

The New Labour employment strategy from 1997 involved creating an activist welfare state which supported the maximum of flexibility and engagement in high productivity knowledge intensive work. ‘The current government sees ... a flexible labour market as a key advantage in comparison to European countries’ (interview, Low Pay Unit). This involved a sophisticated education and training strategy as well as a restructuring of benefits and of the management of those without work. Mobilisation into paid work was seen as the primary antipoverty strategy for those who could be economically active: ‘raising the quality of life for low income families with children by raising their financial receipts, and encouraging them to work as much as possible so they can get out of poverty’ (interview: senior adviser to the Treasury). As policy developed, the Prime Minister intervened to set a target for the reduction of child poverty by 50 per cent by 2010 (Blair, 1999). The Treasury became convinced that initiatives on childcare were necessary to achieve high levels of employment among women, and policy in this area was substantially enhanced after 2000.

New Labour established a national minimum wage at a relatively low level and developed a system of tax credits as part of a ‘make work pay’ strategy. The assistance benefit for Job Seekers fell from 29.5 per cent of median earnings in 1983 to 22 per cent by 1997, and to 19.5 per cent by 2001 (NPI/Rowntree, 2003). The minimum wage was opposed by the right but finally accepted by employers and by unions ‘for groups like these, making work pay makes sense’ (interview with TUC). The tax credits system was substantially expanded to include credits for working people without children and a separate child tax credit paid at a relatively high level.

Alongside the ‘make work pay’ system, a series of benefit reforms were initiated through the New Deal programmes. ‘The New Deal structure is essentially an

activation strategy in the welfare state for benefits based on case management. You have a welfare adviser, who you have contact with who tries to support your moved into employment' (special adviser to the Treasury, May 2003). The New Deals for young people and long-term unemployed made benefit conditional on participation, and the programme for lone parents also had element of compulsion. Approaches analogous to the New Deal have now been developed to cover all those of working age of applying for benefits, who must enter the system through a 'single gateway', which assesses them for capacity to work and applies individual case management.

The labour market reforms were influenced strongly by US experience with EITC (interviews with Director of Jobcentre Plus, DWP and Treasury representatives). They stressed an emphasis on workforce mobilisation rather than quality of jobs: 'the political decision was primarily to get people into work and then train them. The 'work first' approach' (special adviser to Treasury). These policies represent a new departure in the UK context. They seek to combine a system of relatively generous incentives with individual case management. This represents a redirection of the simple market oriented policies of the previous government, and is thus a paradigm shift.

New Labour has precipitated a realignment of politics on the left, and have enabled the government to gain support from employers. Traditional Labour Party supporters and many members of the union movement have reservations about the modernising strategy, and employers' groups were concerned about the policies of a centre-left political party. However, the negotiations for the minimum wage, and the commitment to an anti-poverty strategy that rested on mobilisation into paid work, rather than tax and passive benefits, and was intended to enhance economic competitiveness, attracted support from both groups. The trade union representatives interviewed stated 'overall, the government is getting it right, although there are details we disagree with' (interview, May 2003). They supported the New Deal (because it helps young people enter the labour market), 'make work pay' and an endorsement of elements of compulsion: 'we nowadays accept the case for in-work benefits, we have changed our policy ...once they [inactive people] have found a way of coping with poverty, to actually go into a better world is very difficult ...making work pay makes sense'. This is in clear contrast to previous union positions, which were based on the right to passive benefits.

This reflects arguments about 'carrot and stick' policies also advanced by the DWP and Treasury representatives: 'workless people, not only do they lack skills but they also have a state of mind problem ...so we try to change their mindset and help them realise that would be better off in work ...the sanction regime is an effective deterrent there is now a clear framework of rules ...we try to establish a momentum towards going back to work' (interview DWP May 2003). Government in the UK, once in office, is able to implement rapid and thorough-going change due to the centralised majoritarian framework. However, the shift in UK treatment of unemployed people has also been made possible by a realignment of political actors. In this case, the shift by New Labour, in constructing a Third Way platform which succeeded in making the party capable of winning elections, is central to change. Other less significant actors on the left were forced to follow or become marginal. The new policy stance was close to that favoured by employers' groups.

### *Policy Paradigms and Modernising Actors*

Two points emerge from the comparison:

- The trajectory of reform is in all cases away from passive benefits and towards activation, pursued at differing speed and with different degrees of benefit conditionality.
- In two of the countries reform has been associated with political realignment which involves a commitment to modernisation by parties of the centre-left and a shift towards support for such policies, to varying degrees, by elements in the trade union movement.

The second point is highlighted in the policy shift towards acceptance of ‘make work pay’ by the TUC in the UK, and the continuing development of the negotiations between modernisers and unions in Germany to achieve support for the next stage of Agenda 2010. Similarly, in France, the CFDT detached themselves from the position of other unions, and were able to gain the chair of the unemployment insurance committee and to place themselves in a favourable position when negotiating on behalf of their members in the context of the 35 hour week as a result of their commitment to the *refondation sociale* proposed by the modernising employer’s group, MEDEF. In general employers’ groups have supported the changes, on the grounds that they promote workforce mobilisation and enhance economic competitiveness. In Sweden the situation is rather different, due to the well-established activation system, the entrenched position of the SDP and the widespread commitment to maintaining welfare as well as competitiveness as a prominent goal of employment policy.

The reforms involve all three elements of Hall’s notion of paradigm shift – policy goals, new policy instruments and the setting of existing instruments. The interviews with significant policy actors indicate awareness of a transition to a new policy discourse.

In Germany, the goals of labour market policy for unemployed people have shifted from passive support, in which early retirement schemes played a large part, to an emphasis on activation. In Sweden, the goals of achieving social inclusion and a large measure of citizenship security have been substantially preserved, although the consensus that supported this may be eroded by dissent from the right and some business groups. In the UK, the shift has been from the negative activation policies of the Conservative government to an approach which included a strong role for opportunities accessed through training

At the level of instruments, there have been substantial changes. In Germany the most significant shift is the integration of unemployment and assistance benefits for the long-term unemployed. In Sweden, the shift in instruments has probably been least marked, although new targeted and mean-tested measures for specific groups have been introduced. In the UK, the new instruments have been concerned with increasing incomes for lower-paid workers and with more detailed management of job search and training for benefit claimers. Recalibration has also been important. The most important changes have concerned restrictions on entitlement to insurance

benefits in the Bismarckian countries, and constraint in the benefits available to those out of work to increase work incentives in the UK.

Shifts in political discourse helped to facilitate these reforms, as indicated in the interviews. Key actors are aware that labour market issues must be thought about in new ways. However, political realignments have also contributed to change. The manoeuvres of particular groups and their success in grasping the opportunities available to them in the different national contexts also play an important role, as the discussion above showed. In the UK, the marginalisation of the union movement in politics puts the TUC in a position where it is unable to oppose the government and is forced to gain what advantages it can for members in negotiations over such details as the level of minimum wage. In Germany, Schröder promoted the modernising groups in the Red Green Alliance against the traditionalists, and was able to impose his agenda by making it a resignation issue. Thus and discourse approaches offer valuable ways of summing up changes in the range of available policy frameworks, but need to be allied to accounts of shifts in the position of political actors in order to understand how changes take place.

### III: Policy-Making for New Social Risks

New social risk reforms are able to make headway in European countries, despite the fact that new social risk-bearers are themselves a relatively weak political force. Reform processes depend in most cases on the programme favoured by the political actors who are able to exert an influence. The capacity to make such compromises depends on institutional structure and on the interests mobilised around the particular issue. It also depends on the transition to a modernising paradigm, that enables the relevant actors to form alliances. The fact that the welfare state settlements based on old social risk interests are vulnerable to modification indicates that systems which have sometimes been seen as 'immovable objects' admit shifts in the positions of relevant social actors. It is these shifts, and sometimes splits, within the established groupings of actors that are of particular importance in the development of new social risk policies.

In Nordic countries, an enduring consensus that government should enable all citizens to contribute as workers has led to extensive new social risks provision, so that attempts to cut services, curtail spending or introduce more negative activation are largely unsuccessful. Elsewhere, the most significant issue has been the realignment of political actors and the part played by social partners and especially by employers' groups. In Germany, the more consensual institutions and multiplicity of veto points have slowed reform and facilitated a greater role for social insurance institutions. In both cases, realignments of social actors have been important, in the role of modernising unions and employers' representatives in France and in the gradual process of rebuilding consensus among sufficient key actors to support Agenda 2010 in Germany.

The relationship between central and regional levels of government as well as between social partners and parties, and the opportunities for mobilisation around particular issues, have produced new opportunities for reform in Spain. Regional government has been able to carry out innovative reforms with the support of the left-wing political parties and unions (as in the case of assistance), but not independently (as in the case of long-term care). In the UK context, the crucial shift has been the change in position of the Labour party, from commitment to a traditional welfare state to a 'modernised' settlement, which included both positive and negative activation policies and highly targeted support for child and elder care costs. This enabled alliances to be formed with some groups in business, particularly over child-care and activation, and precipitated a shift in the position of leading unions who were otherwise excluded from political engagement within the majoritarian centralised institutional framework.

Institutional structure makes a difference in facilitating or delaying change, and channelling it in particular directions, and in providing particular opportunities for compromise or for alliance between political actors. In the case of new social risks, unlike old social risks, the risk bearers themselves are not in a position to play a major role in the political process. One outcome is that the policies implemented tend to be shaped by the interests of other, more powerful, actors. The extent to which compatible paradigms are shared by such actors then becomes important.

The emphasis on mobilisation into paid work through activation fits with the shift away from neo-Keynesian full-employment economic management and towards welfare state modernisation in the overall policy paradigm. The greater salience of child-care also reflects women's involvement in paid work. It is in employment-centred issues that new social risk policy has made the strongest headway within the constraints of the various regime types. EU pursuit of the Open Method of Co-ordination recognizes and acquiesces in these differences. The real progress in policy innovation indicates that the future of European welfare states continues to surprise and can be summed up neither in terms of the bleakness of a 'retreat to austerity' nor the intransigence of a 'frozen welfare landscape'.

## IV: Conclusions and Recommendations

Our analysis leads to five main conclusions:

6. Internal rather than external pressures continue to be of greatest importance in influencing welfare state reform processes across Europe. Needs associated with the new social risks of the transition towards a post-industrial society are emerging alongside traditional social needs. Policy responses are shaped primarily by regime differences, but some convergence is taking place in specific areas.
7. Attention to new social risks is a key element in the shift away from welfare state policies loosely based on neo-Keynesianism and towards a modernising paradigm in social policy. This approach stresses the pursuit of welfare goals via mechanisms which promote labour market flexibility, enhance human capital and expand individual opportunities. It is understood to link economic and social goals in a 'virtuous circle' and to match the direction of current economic and social change.
8. The politics of welfare state reform to meet new social risks differs from that in more traditional areas. Old social risks directly affect the interests of substantial groups in the electorate, but new social risks tend to exert immediate impact on minorities. Social partners and, particularly, employers, are especially important in new social risk policy-making, and 'modernising coalitions' between political parties and groups drawn from the social partners are often important. Since actors other than the immediate new risk bearers are heavily involved in reforms, outcomes tend to reflect the interests of such actors to a greater extent than is typically the case with old social risks.
9. The EU has strong opportunities to involve itself in the new policies, particularly in relation to changes in labour markets and to women's access to and position in paid work, because activity at national level in these areas is less well developed, and national policy actors have not developed entrenched positions.
10. Progress in these areas is difficult to achieve since the balance of interests involved is typically complex. While it is difficult to establish whether the EU's Open Method of Co-ordination in social policy has a strong impact, it contributes legitimacy resources to particular actors and advances issues on the political agenda. It should therefore be pursued and expanded.

This discussion leads to four policy recommendations:

1. The EU should seek to promote dialogues at which social partners and other policy actors can negotiate compromises, in view of the processes highlighted in the second conclusion. Directives on social dialogue contribute to this, but more could be done at the European level.

2. The risk bearers themselves should be directly involved in this dialogue, to that their contribution, as well as that of business, employers, unions and politicians can shape proposals (see the second and third conclusions).
3. The EU should also continue to pursue OMC policies vigorously and strengthen them by requiring national governments to consult social partners on issues and targets, for the reasons given in the fourth conclusion.
4. Enlargement requires the EU to engage with more diverse policy actors. For this reason, the above recommendations, and particularly the strengthening of arrangements for dialogue and for the conduct of OMC negotiations should be pursued vigorously.

## Appendix: Publications and Webpages

### Books and Book Chapters

- Taylor-Gooby, P. (2004) *New Risk, New Welfare: The Transformation of the European Welfare State*, eds. Oxford: Oxford University Press. Chapters:
  - 1: New Risks and Social Change  
Peter Taylor-Gooby
  - 2: New Risks in a Conservative Welfare State: the case of Germany  
Andreas Aust and Frank Bönker
  - 3: The UK: a test-case of a liberal welfare state  
Peter Taylor-Gooby and Trine Pernille Larsen
  - 4: New Risks: are they still new for the Nordic welfare states?  
Virpi Timonen
  - 5: France: A new world of welfare for new social risks?  
Bruno Palier and Christelle Mandin
  - 6: Spain's Transition to New Risks: a farewell to 'superwomen'  
Luis Moreno
  - 7: Switzerland: negotiating a new welfare state in a fragmented political system,  
Giuliano Bonoli
  - 8: New Risks at the EU level; a spill-over from open market policies?  
Trine Larsen and Peter Taylor-Gooby
  9. New Social Risks and Welfare States: new paradigm and new politics  
Peter Taylor-Gooby.
- Aust, A. (2003): From 'Euro-Keynesianism' to the 'Third Way'. The Party of European Socialists and European Employment Policies, in: Bonoli, G. and Powell, M. (Hg), *Social democratic party policies in contemporary Europe*. London: Routledge, 284-307 .
- Bönker, Frank, Hellmut Wollmann, 2003: "V on konservativen Wohlfahrtsstaaten, institutionellen Restriktionen und Reformwellen: Einige politikwissenschaftliche Überlegungen zu den gegenwärtigen Veränderungen im Bereich der sozialen Dienste ", in: Thomas Olk, Hans-Uwe Otto (Hrsg.): *Soziale Arbeit als Dienstleistung: Grundlegungen, Entwürfe und Modelle*. München/ Unterschleißheim: Luchterhand, 28-44.
- Taylor-Gooby, P., Larsen, T. and Kananen, J. (2005) 'Public attitudes and New Social Risk reforms' in G.Bonoli (ed) The Politics of New Social Risks, Edward Elgar.
- Timonen, V. (2003), *Restructuring the Welfare State: Globalisation and Social Policy Reform in Finland and Sweden* , Cheltenham: Edward Elgar.

### Journal Articles

- Aust, A., Leitner, S. und Lessenich, S. (2002): Konjunktur und Krise des Europäischen Sozialmodells. Ein Beitrag zur politischen Präexplantationsdignostik. in: *Politische Vierteljahresschrift* 43: 277-303
- Aust, A., Leitner, S. und Van Dyk (2003), 'Beschäftigungspolitische Vorbilder? Irland, die Niederlande und Österreich im Vergleich', *Zeitschrift für Sozialreform*, 2:216-249.
- Aust, A. (2003): Von "Skeptikern" zu "Musterschülern"? Die Europäisierung der Sozialdemokratie, in: *ÖZP* 32, 3, 250-270
- Aust, A. und Leitner, S. (2004): Zur sozialpolitischen Entwicklung in kleinen offenen Ökonomien: Österreich und Irland im europäischen "Regimewettbewerb", in: Czada, R. and Lütz, S. (Hg.), *Der Wohlfahrtsstaat*. Opladen: Leske + Budrich (i.E.).

- Daguerre, A. and Taylor-Gooby, P. (2003), 'Adaptation to Labour Market Change in France and the UK', *Social Policy and Administration* (special issue), vol 37, no 6.
- Moreno, L. (2002), 'Bienestar mediterráneo y supermujeres' (Mediterranean welfare and 'superwomen'), *Revista Española de Sociología*, 2: 41-57
- Taylor-Gooby, P., Larsen, T. and Kananen, J. (2004) 'Market Means, Welfare Ends: the UK Welfare State Experiment', *Journal of Social Policy* vol. 33, no 4.

### Conference Papers

- Arriba, A. and Moreno, L. (2002), 'Spain: Poverty, social exclusion and safety nets', Conference Che fare del RMI? , Naples City Hall - Italian National Research Council (IRPPS-CNR), 8 November.
- Arriba, A. (2002) 'La fragmentación de la última red de protección social' (The fragmentation of the 'safety net' of social protection), Paper submitted at the Foro para la integración laboral de personas en riesgo de exclusión social (Forum on Labour Insertion of citizens under risk of social exclusion), International Council for Social Welfare, Madrid, 14 November
- Bonoli, G. (2003), 'Trade unions, veto points, and modernising compromises in pension reform', paper presented at the 15th annual meeting of the Society for the Advancement of Socio-Economics, Aix-en Provence, 26-28 June.
- Bönker, F. and Wollmann, H. (2003) Local Welfare State in Germany and its Transformation in the 1990s.
- Bönker, F (2004) Modernization of State and Administration in Europe: A France-Germany Comparison, Bordeaux, 14./15. May.
- Bönker, F and Aust. A (2003) Neue soziale Risiken in der Bundesrepublik Sociological Seminar, Humboldt-Universität zu Berlin, 3 June.
- Bönker, F (2003) Germany in Crisis? Babes-Bolyai University, Cluj, Romania, March.
- Bönker, F (2001) Teilkapitaldeckung als Friedensformel in der bundesdeutschen Rentenpolitik. Workshop in the Section "Politik und Ökonomie" of the German Association for Political Science (DVPW) conference: Zukunft und Perspektiven des Wohlfahrtsstaates, Hagen, 16.-18 November.
- Moreno, L (2003) 'Farewell to Spanish superwomen', European Conference Che "genere" di conciliazione? Famiglia, lavoro e genere: equilibri e squilibri , CIRSD-University of Turin, 29 May
- 'Taylor-Gooby, Daguerre, A. and Larsen, T.P. (2003) The Genuinely Liberal Genuine Welfare State' ISA RC19, University of Toronto, 19 September, and Social Policy Association Annual Conference, Teeside University, 16 July
- Timonen, V. (2003), 'New Social Risks and the Nordic Welfare State', contribution to Kankaalle Kirjoitettua , a Festschrift for Professor Olli Kangas, Department of Social Policy, University of Turku.
- Wollmann, H. and Bönker, F. (2004) "The Local Welfare State in Germany and Its Transformation in the 1990s", conference on "Modernization of State and Administration in Europe: A France-German Comparison", Bordeaux on May 14-15..

For copies of working papers and deliverables, see the project webpages at:

<http://www.kent.ac.uk/wramsoc>

**Table 1: Welfare state reform agendas (from Pierson, 2001, p. 455)**

	Liberal	Social Democratic	Conservative
Reform agenda	Re-commodification/ cost-containment	cost-containment/recalibration (rationalisation)	cost-containment/recalibration (updating)

**Table 2: Trends in State Spending on New Social Risks (% GDP 1980-99)**

	1980			1999		
	Services for elderly and disabled	Services for families	Active labour market support	Services for elderly and disabled	Services for families	Active labour market support
Nordic	1.77	1.60	0.88	2.73	1.78	1.67
Corporatist	0.46	0.38	0.13	0.75	0.74	1.14
Liberal	0.53	0.29	0.28	0.59	0.33	0.74
Mediterranean	0.08	0.04	0.02	0.25	0.37	0.47
EU-15	0.65	0.55	0.25	0.98	0.83	1.00

Notes: Nordic = Sweden, Denmark, Finland; Corporatist = Austria, France, Germany, Belgium, Netherlands; Liberal = UK, Ireland; Mediterranean = Greece, Italy, Portugal, Spain. EU average is based on all 15 members.

Services for Elderly and Disabled include: residential care, home-help services, day-care and other services in kind. Services for Families include: formal day care, personal services, household services, other family benefits in kind. Active Labour Market Policies include: training, youth measures, subsidised employment, employment measures for disabled people, employment services.

Source: calculated from OECD, 2001a

**Table 3 Employment 2001**

	Overall employment rate	Men's employment rate	Women's employment rate	Women's full-time employment rate	Long-term un-employment rate
Denmark	76	80	71	56	2.3
Finland	68	70	65	56	2.4
Sweden	75	77	74	53	1.1
Austria	68	76	60	44	0.8
Belgium	60	69	51	34	3.4
France	62	69	55	42	3.2
Germany	66	73	59	39	4.1
Netherlands	74	83	65	27	1.0
Switzerland	79	88	70	39	0.8
Greece	56	71	41	37	4.0
Italy	55	69	41	32	6.0
Portugal	69	77	61	52	1.6
Spain	59	74	44	37	5.8
Ireland	65	76	54	36	2.0
UK	71	78	65	32	1.4
EU-15	64	73	55	41	3.3
2010 Target	70		60		

Sources: Calculated from OECD (2003a) Tables B, D, E, G

Note: full-time means at least 30 hours a week; long-term means more than 12 months.

**Table 4 Spending on Active and Passive Labour Market Measures (% GDP, 1997-2001)**

	1997-98		2000-01	
	Active measures	Passive measures	Active measures	Passive measures
Denmark	1.66	3.83	1.56	3.00
Finland	1.40	2.56	0.95	2.02
Sweden	1.96	1.93	1.09	1.19
Austria	0.44	1.27	0.53	1.07
Belgium	1.22	2.64	1.30	2.18
France	1.35	1.84	1.31	1.65
Germany	1.27	2.28	1.20	1.92
Netherlands	1.58	2.52	1.58	1.86
Switzerland	0.77 <sup>†</sup>	1.10	n.a.	0.48
Greece	0.44	0.44	0.46	0.47
Italy	n.a.	0.86	n.a.	0.63
Portugal	0.77	0.83	0.61	0.90
Spain	0.70	1.40	0.73	1.33
Ireland	n.a.	n.a.	n.a.	n.a.
UK	0.38	0.78	0.36	0.56

<sup>†</sup> 1999 figure

Source: Calculated from OECD (2003a) Table H.

**Table 5 Poverty and Inequality (ECHP, 1999)**

	% population at risk of poverty, 1999	Inequality ratio
Denmark	11	4.2
Finland	11	3.4
Sweden	9	3.2
Austria	12	3.7
Belgium	13	4.2
France	15	4.4
Germany	11	3.6
Netherlands	11	3.7
Switzerland	-	-
Greece	21	6.2
Italy	18	4.9
Portugal	21	6.4
Spain	19	5.7
Ireland	18	4.9
UK	19	5.2
EU-15	15	4.6

Source: ECHP: Eurostat (2003b)

Notes: poverty line is 60% of median equivalised disposable income for the country; Inequality ratio is measured as the ratio of the total equivalised income of the top quintile to that of the bottom quintile.

**Table 6 Women's Employment and Childcare**

	% women aged 25-55 in employment, 2000			Share of part-time employment for women, aged 25-55, 2001	
	No children	1 child	2 children	All women	Those with a child under 6
Denmark	78.5	88.1	77.2	20.8	6.1
Finland	79.2	78.5	73.5	n.a.	n.a.
Sweden	81.9	80.6	81.8	n.a.	n.a.
Austria	76.0	75.6	65.7	24.8	50.4
Belgium	65.6	71.8	69.3	33.4	45.0
France	73.5	74.1	58.8	23.8	36.7
Germany	77.3	70.4	56.3	33.9	57.1
Netherlands	75.3	69.9	63.3	58.1	69.4
Switzerland	84.3	75.5	65.5	n.a.	n.a.
Greece	53.1	53.9	50.3	8.5	8.0
Italy	52.8	52.1	42.4	23.7	25.0
Portugal	72.6	78.5	70.3	14.3	11.0
Spain	54.6	47.6	43.3	16.6	19.4
Ireland	56.8	51.0	40.8	n.a.	n.a.
UK	79.9	75.6	64.7	40.8	66.4

Sources: Calculated from OECD (2003c)

Note: employment is by ILO definition, at least 1 hour a week; part-time employment is less than 30 hours.

**Table 7 Social Security Contributions**

	Employees' contributions, 2000 (% GDP)	Employers' contributions, 2000 (% GDP)	Social security contributions as % of total tax revenue	
			1992	2000
Denmark	1.9	0.3	4	5
Finland	2.2	8.9	22	24
Sweden	1.9	11.9	28	28
Austria	6.1	7.2	32	30
Belgium	4.4	8.5	36	28
France	4.0	11.2	44	34
Germany	6.5	7.3	38	36
Netherlands	8.1	4.7	38	31
Switzerland	3.9	3.9	36	23
Greece	6.2	5.2	31	30
Italy	2.3	8.3	20	25
Portugal	3.3	5.1	24	24
Spain	1.9	8.6	35	30
Ireland	1.3	2.7	13	13
UK	2.5	3.5	17	16
EU-15	4.0	6.5	27.3 <sup>1</sup>	25.3 <sup>1</sup>

Source: Calculated from OECD (2003b); OECD (1994).

Note: 1: EU-14 figures

**Table 8: Growth And Unemployment (%)**

	Germany	Sweden	UK	EU-15
Economic growth 1992-2002 (av annual rate %)	1.3	2.4	2.8	1.9
unemployment 1992	6.4	5.6	9.1	8.7
2002	8.6	4.9	5.1	7.7
Youth (under 25) unemployment 1992	6.2	13.2	16.2	17.1
2002	9.8	11.9	12.1	15.1
% unemployed for 12 months + 1992	33.5	13.5	35.4	42
2002	47.9	21.0	23.1	41

Source: OECD (2003d)

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