

# **Comparative Public Policy**

## **Changing Welfare States**

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### **Aims**

The course offers a comparative public policy analysis of modern welfare states, welfare reform against the background of the global financial crisis and intensified European integration. The course aims at providing students with knowledge of the basic institutions underlying modern welfare states and explaining their variation, together with the impact of globalization, societal differentiation, and economic recessions on the dynamics of social policy reform. Furthermore, this course aims at teaching students the skills of comparative cross-national and European policy analysis, and to apply their knowledge to societies other than their own.

### **Content**

The welfare state, in the shape and form in which it developed in Western Europe in the second half of the twentieth century, represents a key institution in Europe's advanced political economies. Toward the late 1970s, the post-war celebration of achieving unprecedented growth, economic security, social solidarity and public care through democratic politics, all at once gave way to doubts. The oil crises of the 1970s together with the changing character of international competition, de-industrialisation and the eroding effectiveness of domestic Keynesian demand management led to a massive surge in unemployment not experienced since the 1930s. In the 1980s, the prospects for survival of the welfare state were recognised as poor. The diagnoses varied from a 'fiscal crisis' to 'ungovernability' and erosion of the national and social foundations of social solidarity. A central feature of welfare state research in the 1970s and 1980s thus became the conjecture of recurrent crises, widespread retrenchment and eventually the demise of the welfare state across Europe's advanced political economies. Political scientists

highlighted the sheer ungovernability of the welfare state's expanding policy commitments. Sociologists turned to highlighting the cultural contradictions of modern capitalism in an era of rising expectations and ever-spiralling demands the welfare state was supposed to accommodate, exceeding its capacity to fulfil the wants of unconstrained citizens. Economists singled out the accumulation of perverse labour-market rigidities, embedded in the incentive structure of the welfare state, impeding flexible adjustment, blocking technological innovation, and hampering employment and economic growth in an integrating world economy.

Today, five sets of challenges confront policy makers with the imperative to redirect the welfare effort, to redesign institutions and to elaborate on new principles of social justice, and all this, against the background of intensified European regional integration. *From without*, in the first place, international competition is challenging the redistributive scope and de-commodifying power of the national welfare state, its capacity to shield people in need against the hard laws of the marketplace. Many academic observers believe that the increase in cross-border competition in the markets for money, goods and services has substantially reduced the room for manoeuvre of national welfare states. In addition there is the danger that tax competition results in an under-provision of public goods.

Second, *from within*, ageing populations as a result of rising life expectancy and rapidly falling birth rates, changing family structures, the feminisation of the labour market, changes in work organization, and skill-biased technological change tend to challenge the institutions of work and welfare inherited from the industrial age. Low or falling employment levels of many social groups, new and rising inequalities, skill-biased patterns of social exclusion, and new sources of immigration and segregation, also in the housing market in metropolitan areas, pose a threat to social cohesion.

Third, while policy makers must find new ways to manage the adverse consequences of economic internationalisation and post-industrial differentiation, their attempts to recast the welfare state are constrained by long standing social policy commitments in the areas of unemployment and pensions, which have ushered in a period of *permanent austerity*. The maturation of post-war welfare commitments now seem to crowd out

effective policy responses favouring a successful transition towards the post-industrial and knowledge-based economy of the 21<sup>st</sup> century.

Then there is the challenge of *Europeanisation*. Issues of work and welfare have since the mid-1980s become intertwined with the Single Market and the European Monetary Union (EMU). In the European Union (EU) we are entered an era of *semi-sovereign welfare states*. National welfare states can no longer behave as if they were autonomous and in control. European (economic) integration has fundamentally recast the boundaries of national systems of social protection, constraining the autonomy for domestic policy options but also opening opportunities for EU-led multi-level policy coordination.

Finally, there are the social aftershocks of the global financial crisis. Today Europe's nascent economic recovery is far too tepid and fragile to help alleviate the deep unemployment problem, averaging at 12 per cent, but peaking well beyond 25 per cent in the Eurozone's periphery. European youths having been particularly hard hit, making a quarter of the economically active young Europeans jobless today, with youth unemployment levels approaching alarming rates of 50 per cent in Spain and Greece. Levels of unemployment not seen since the Great Depression, accompanied by intrusive austerity crisis management measures, have their mirror image in rising poverty and growing inequality, and the exclusion of vulnerable groups from societal participation. After a series of emergency bailout mechanisms and the ECB's monetary interventions to do "whatever it takes" to keep besieged Euro afloat over the raging sovereign debt crisis that afflicted the Eurozone economies after 2009 till 2012, today the new imperative for the member states and the EU more generally, is to mitigate the social aftershocks of the Great Recession, and their political repercussions.

One decade into the twenty-first century the debate about developments in modern welfare states looks distinctly different compared with ten or twenty years ago. Attempts to explain welfare state change, or stalemates in reform, that were prominent until the 1980s, gave way to a better understanding of cross-national welfare state diversity and the institutional mechanisms of reform. This newer insight was not least influenced by Gøsta Esping-Anderson's notion of 'the three worlds of welfare capitalism': liberal, social-democratic, and corporatist. The ensuing debate about the causes and consequences of this diversity, and the possible existence of yet other 'worlds of welfare capitalism', became in the 1990s intimately linked with the (politically charged and often

extremely pessimistic) debate about the possibility for reform in response to the external and internal challenges on national welfare states, related to such pressures and changes as globalisation, European integration, demographic shifts, changing family patterns and labour market behaviour. For some time it seemed that academic scholars and commentators were so preoccupied with identifying the degree and causes of resistance and path dependence that they failed to observe actual changes and reforms in countries like Ireland, the Netherlands, Denmark and Spain. Political and scholarly interest in the nature of the reforms in these countries grew once the policy success in terms of employment growth, lower levels of unemployment, without large increases in inequality and poverty, became apparent. These outcomes have revitalised the debate about the institutional contingencies of the welfare state and welfare state reform. These outcomes and the reforms that were behind them do require a fuller understanding of the interaction between domains that are often treated separately in academic analysis and actual policy, like macro-economic, fiscal, industrial relations, social security and labour market policy. This comprehensive— political economy— view of welfare states required students to look across the narrowly designed borders and preoccupations of sub-disciplines and engage in research that is comparative across nations and disciplines.

### **Literature**

This course has five main themes: understanding the *differences*; analysing the *challenges*; explaining the *responses*, the *direction of social policy change*, evaluating the *role of European integration*, and, finally, assessing the impact of the global financial crisis together with the Euro zone sovereign debt predicament. Each of these themes requires comparative analysis. To match these central themes the monograph *Changing Welfare States* by Anton Hemerijck has been selected for intense study for the seminar.

24 March

Morning: *Understanding the Policy and Politics of Welfare Reform* (ch. 2,3 and 4)

Afternoon session: *National Welfare State in Motion* (ch. 5,6, 7)

26 March

Morning: *European integration and the Welfare State* (ch. 8)

Afternoon: *The Social and Political Aftershocks of the Eurocrisis* (ch. 9 and 10)