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**Solidarity or Dualization?**  
**Social Governance, Union Preferences and Unemployment Benefit Adjustment in**  
**Belgium and France**

In accounts of European nations' adjustment trajectories over the last quarter-century, Belgium and France are usually considered analogous cases. Both countries are members of the Bismarckian family of social protection, with production regimes that are underpinned by real, if imperfectly operating, mechanisms of coordination, via the involvement of the 'social partners' (trade unions and employers' associations) in national-level social and economic policy making (see Eichhorst and Marx in this volume). Partly because of these macro-institutional characteristics, both are understood to be experiencing difficult transitions to a post-industrial economic structure, with low levels of service-sector employment growth and stubbornly high rates of structural inactivity. Though in both cases the adjustment trajectory followed since the late 1970s has created problems for social cohesion and long-term economic sustainability, in neither have overt structural reforms proved easy to implement.

Given these parallels, it is striking that in one key institutional field patterns of policy development have actually followed markedly *divergent* tracks in Belgium and France in recent decades. In 1980, the Belgian and French unemployment insurance regimes both combined income maintenance and anti-poverty functions within a single benefit scheme. Since then, however, very different parametric choices have been made in each country to attempt to adapt these systems to persistently high levels of unemployment. In France, insurance-based and assistance-based support for the unemployed was explicitly separated in the early 1980s, an institutional dualization that has subsequently stabilized and served as an adjustment model for other branches of the French income maintenance system (Palier, 2005). In Belgium, by contrast, unemployment protection instead "evolved from a social insurance system fairly much in the classic Bismarckian mould into what effectively amounts to a minimum income protection system" (Marx, 2007: 122).

This chapter explores the political dynamics behind the contrasting institutional and distributive choices in the unemployment benefit reforms of these two otherwise similar countries, in the process shedding light on the politics of welfare state dualization more generally. In particular, it suggests that rather fine-grained differences in social governance –

the way that social policy space is shared between the state and social actors (Ebbinghaus, 2010) – have had a crucial impact on processes of unemployment policy preference formation in Belgian and French trade unions, whose influence has driven policy down distinctive paths. While it has long been recognized that the administrative structures of the welfare state can impact upon the power resources of unions (Rothstein, 1992; Scruggs, 2002), this chapter shows how they can also shape their organizational interests in ways that are consequential for patterns of policy choice. More generally, the impact of such proximate institutional environments on preference formation implies that common structural tendencies towards a post-industrial employment structure can be expected to elicit diverse social policy responses in different countries, even within the same welfare-production regime.

The chapter is organized in three sections. Section 1 summarizes some key features of the economic and regulatory context in which Belgian and French unemployment policies have evolved since the early 1980s, elaborating more fully on the similarities in the overall socio-economic adjustment trajectories of the two cases. Section 2 then examines the divergent development of income protection policies for the unemployed since 1980 in more detail, focusing on both the institutional structures of protection and the social rights that different groups of the unemployed enjoy within these. Section 3 discusses the limitations of a range of alternative explanations for the cross-case variation, before demonstrating how the structure of social governance institutions has shaped unions' organizational preferences and encouraged them to champion very different parametric reform options in the unemployment protection sphere. The chapter concludes by drawing out some of the implications of the comparison for our understanding of the politics of welfare state dualization as well as – somewhat more speculatively – for our appreciation of its impact on social cohesion.

### **1. Down the same path: Belgian and French labor markets after the 'golden age'**

In France and Belgium, as everywhere in the developed world, unemployment increased sharply in the wake of the oil shocks of the mid-1970s. Unlike in some other European countries, though, they remained stubbornly high for much of the next quarter-century. In this respect the Belgian performance has been marginally better than the French, but arguably only because a greater share of the non-employed have been encouraged out of the labor market altogether. In the mid 2000s the inactivity rate in Belgium was the highest in Western Europe, some 5% above the EU average level. Rates of inactivity are particularly high among

older citizens in both countries, more than 10% above the EU average in France and nearly 15% in Belgium. Furthermore, Belgium has long had rates of long-term unemployment that are above the European average, and has been joined in this by France since the turn of the millennium (Eurostat, 2010a).

Belgium and France thus represent two clear examples of the ‘welfare without work’ syndrome that has plagued many continental European countries since the late 1970s. Responsibility for this problem is seen to reside with institutional features of continental European labor markets and social protection systems, in particular a tradition of strict employment protection and high non-wage labor costs at the bottom end of the labor market, as a result of the contribution-based financing structure of social protection (Eichhorst and Hemerijck, 2010; Esping-Andersen and Regini, 2000; Scharpf, 1997).

There have, however, been only timid attempts to make labor markets more generally flexible in either country. In Belgium, while there were some reforms to the regulation of collective dismissals, attempts to reduce levels of individual employment protection “have remained gridlocked because of a fundamental disagreement between the social partners” (De Deken, 2009: 189). Likewise in France, collective dismissals have seen rounds of de- and re-regulation, but the protection of individual employees under regular employment contracts has remained unchanged, and generally off-limits politically (Cahuc and Zybellberg, 2009). There has been rather more activity around the regulation of temporary employment contracts in both countries; this has been relaxed in Belgium, and tightened in France. Despite the differing directions of regulatory change in this area, each country has nonetheless witnessed an expansion of temporary employment, though interestingly by rather less in Belgium (from 5.4% of all employment in 1983 to a peak of 10.3% in 1999) than in France (from 3.3% of all employment in 1983 to a peak of 15.5% in 2000) (OECD, 2010a). In a comparable way but to differing degrees, temporary employment has been used by employers to circumvent the strict regulation of regular employment, in line with the ‘dual path’ to labor market reform common to continental welfare-production regimes (see Eichhorst and Marx in this volume; Iversen, 2005: 257-68).

A similar dynamic can be seen at work in employment policy measures, which in both countries have been heavily focused on the problem of non-wage labor costs. These were initially addressed through targeted subsidies to employers taking on certain categories of

workers (young people, the long-term unemployed, trainees), but have tended to gradually expand to cover all employment up to a certain wage level (Clegg, 2011; De Deken, 2011). Along with extensive creation of temporary and part-time jobs in the public and para-public sectors, again targeted on specific groups of the unemployed, such measures have contributed to the flexibilization of the lower reaches of the labor market in both countries, and provided an employment foothold for low-skilled workers who would otherwise be priced out of jobs. But they have also served to increase the social acceptability and political legitimacy of an adjustment strategy that remains fundamentally characterized by a *de facto* acceptance of high unemployment or non-employment.

The political context of the two countries differs significantly, but in neither has it been conducive to encouraging a more decisive break with the regulatory *status quo*. Due to the politicization and division of organized labor and the often execrable relations between the social partners and the state, the negotiation of explicit and encompassing ‘social pacts’ has remained a vain hope in France (Ebbinghaus and Hassel, 2000). Belgium, too, has been characterized by “troubled and conflictual” relationships between the social partners (Hemerijck *et al.*, 2000: 193), though this has not prevented many attempts to negotiate a new policy direction. However “there is no country where governments designed so many pacts, plans and proposals ... with so little success” (Hemerijck and Visser, 2000: 253). Belgian governments have, furthermore, been poorly positioned to drive through unilateral reforms; weak and often short-lived coalition governments operating in a context of deepening federalism and growing linguistic conflict have struggled to exert authority (Hemerijck and Marx, 2010; Kuipers, 2006). In France executives face fewer obvious institutional barriers, but elites from across the political spectrum have been accused of lacking the courage and imagination to exploit their room for maneuver (Smith, 2004; Cahuc and Zylberberg, 2009). Though institutional change has been in many respects profound, it has been incremental and lacking in obvious strategic direction (Hall, 2006).

In sum, there are many parallels in the post-industrial adjustment trajectories of Belgium and France. Adaptations to the changing economic structure have been hesitant and marginal, with the employment conditions of the lowest skilled and least well-integrated workers most often the privileged adjustment variable. In both countries there has been an apparent desire to preserve – or at least unwillingness to challenge – the protections enjoyed by more stably integrated labor market ‘insiders’. Similar institutional decisions and non-decisions, with

similar distributional implications, have thus characterized much Belgian and French labor market policy making over the past quarter-century. It is against this backdrop that the divergent development in Belgian and French unemployment protection policies over the same period is particularly striking.

## **2. Solidarity versus dualization: Unemployment benefit policies in Belgium and France since 1980**

Looking only at expenditure figures, the story of unemployment benefit policies in Belgium and France since the mid-1980s would at first glance appear to be one of convergence. Belgium has traditionally spent more than France on unemployment benefits, and while this remains true today the gap between the two countries on this indicator has narrowed somewhat in the last two-to-three decades.

[Table 1 about here]

*Source: Own calculations from OECD, 2010b and Eurostat, 2010a: calculated as expenditure on unemployment benefits as % GDP/ unemployment as % labor force.*

This dynamic of increasingly similar expenditure levels has, however, been driven by very different institutional developments and distributive logics. While in 1980 unemployment protection in both countries essentially comprised one encompassing benefit tier covering all unemployed claimants, this was an early victim of economic pressures in France, giving way to a dualized approach to unemployment protection organized around a distinction between ‘insurance’ and ‘solidarity’ in which the quality of benefit entitlement became more dependent on prior work and contribution. But no parallel institutional evolution occurred in Belgium, where unemployment benefit entitlements have actually tended to become less, rather than more, status dependent. While Belgium and France invest increasingly similar sums in unemployment protection, the recent period has in fact seen them diverge in how they target these collective resources on, and deliver them to, different parts of the unemployed population.

*France: Stripping the solidarity out of insurance*

**Comment [SH1]:** Or is there a figure I missed? Also: could table 1 or the development of expenditures also be shown graphically as evolution over time? (maybe showing 2-3 graphs in section 1 on structural change)

An encompassing benefit system was only introduced in France in 1979, when the tax-financed unemployment assistance system was absorbed by the contribution-financed unemployment insurance system, the culmination of a ‘logic of integration’ that had been underway since the establishment of the latter in 1958 (Daniel, 2000: 36-36). Under the 1979 agreement reached between the Barre government and the social partners – who manage unemployment insurance through periodically renegotiated national-level collective agreements, extended after agreement by the state – the newly integrated system was jointly financed from contributions and a state subsidy, with management control remaining formally with the social partners.

In a context of fast-rising unemployment, the new system soon ran into serious financial difficulties, compounded by the use of unemployment insurance funds to finance a vast expansion of early retirement pensions under the first Mitterrand administration. The employers in particular protested about this ‘improper’ usage of unemployment benefits, and refused to agree to the contribution increases necessary to restore the financial equilibrium of the unemployment insurance fund, UNEDIC<sup>1</sup>. The government however conditioned any increase in the level of state subsidy on an enhancement of its managerial oversight of the system, something the social partners refused to countenance (Clegg, 2005). The resultant deadlock was confirmed by the employers formally suspending their participation in UNEDIC in November 1982.

Their return in 1984 resulted from an implicit tripartite agreement on a new division of labour between the social partners and the state in French unemployment protection policy, premised on a more actuarial conception of unemployment insurance. The then president of the main French employers’ confederation provided the clearest statement of this in a newspaper article published in the wake of the employer walk-out in 1982. He argued that a “new bipartite unemployment insurance, and not an unemployment assistance, must be put in place. The former can be for a large part financed by the contributions of workers and firms. The latter is entirely an issue of national solidarity”<sup>2</sup>. The idea was to better distinguish between the sphere of insurance (benefits financed through social contributions and managed by the social partners) and the sphere of so-called ‘national solidarity’ (benefits financed by taxes, often means-tested, and managed by the state); an institutional dualization of unemployment

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<sup>1</sup> *Union nationale interprofessionnelle pour l’emploi dans l’industrie et le commerce*

<sup>2</sup> Interview with Yvon Gattaz in *Le Monde*, 23<sup>rd</sup> November 1982.

protection based on a ‘clarification’ between the functions of income maintenance and protection against poverty.

The clarification mechanism was the contribution principle – the relationship between the amounts of contributions paid in work and the level and duration of entitlements in unemployment – which was now applied with a rigor never before seen in French unemployment insurance. A 1982 government decree first introduced distinct benefit streams in which rights to unemployment insurance benefits no longer varied just on the basis of age, but also on the basis of contribution history. The 1984 unemployment insurance agreement between the social partners then excluded those with the shortest contribution records from any eligibility, and shortened the duration of entitlement for others, on the basis that first-time job seekers and the longer-term unemployed would, if needy, receive benefits under the new ‘solidarity’ system (see below). The new organizing principles generated winners as well as losers, though: the calculation formula for the basic unemployment insurance benefit introduced in 1984 meant that replacement rate and duration of benefits for those with longer contribution histories actually improved slightly (Daniel and Tuchsirer, 1999: 290).

The eligibility and entitlement rules for unemployment insurance have been recalibrated on numerous occasions subsequently, with the economic context at the time of renegotiation of collective agreements largely determining whether changes are expansionary or restrictive overall. Due to the continuing centrality of the contribution principle, though, the distribution among different groups in the unemployed population of cuts in the bad times and benefits in the good has been far from even. During the 1990s and most of the 2000s negotiated cuts to unemployment insurance always fell most heavily on those with weak labor market attachment, while benefits have been directed to those with longer work records (Daniel, 2000; Tuchsirer, 2008). The 1992 reform of unemployment benefits, negotiated in a context of fast rising unemployment and concerns about public deficits in the run up to the European single-currency, offers perhaps the clearest example. Aside from the introduction of a so-called ‘degressivity’ mechanism, under which benefit levels were reduced as unemployment duration lengthened, the reform levered most savings through increases in minimum contribution periods and reductions in benefit durations for those with the shortest contribution records. Those who found themselves excluded from access to insurance benefits as a result – the beneficiary rate fell from 52.5% in 1992 to 45.3% in 1994 – were thus disproportionately young, long term unemployed, or those entering unemployment at the end

of a fixed-term contract (Daniel and Tuchsirer, 1999: 307). When as a result of this reform the unemployment insurance system returned to a healthy surplus by the middle of the decade, these cuts were not simply repaired, however. Instead, in 1995 a new implicit early retirement benefit was introduced in the unemployment insurance scheme, and the following year the application of the degressivity mechanism was slowed down – changes that both benefited those who *already* had entitlement to unemployment insurance.

Allied to the rapid expansion of temporary employment, the effect of these parametric reform choices was that the percentage of unemployed people not entitled to insurance benefits continued to fall over the remainder of the 1990s, reaching nearly 60% late in 1999 (UNIstatis, 2010). Even when needy, only a small proportion of this group could fall back on unemployment assistance benefits, moreover. From its introduction in the 1984 reform, the main French unemployment assistance scheme combined means-testing with contribution conditions – 5 years of employment in the last 10 – that were stricter than in unemployment insurance. And while a flat-rate unemployment assistance scheme for those seeking stable labor market integration had also been introduced in 1984, eligibility for its main group of potential beneficiaries – young people – was limited by a requirement of holding certain kinds of technical or professional diplomas. This benefit was also very low relative to the minimum wage, which possibly explains why there was almost no protest when eligibility for it was removed from young people entirely in the 1992 budget, causing the stock of beneficiaries to fall from 110 000 in December 1991 to 29 000 one year later, and 17 000 by December 1995 (*ibid.*). In 1999, unemployment assistance only increased the beneficiary rate of all French unemployment protection by around 10%.

**Comment [SH2]:** No protest? Was this maybe because its function was de facto taken over by the RMI? Was there some form of de facto substitution of the AI?

In this context, an important share of the burden of supporting parts of the unemployed population has fallen on France's general minimum income program. When a national minimum income was created in France in 1988 it had 400,000 beneficiaries, but by 1995 its caseload had swelled to just under 1 million. 1993 – following the major unemployment insurance reform – witnessed the biggest single year-on-year caseload increase (DREES, 2010). Though until the late 2000s it was not formally part of labor market policy, fluctuations in French social assistance caseloads owe most to the lagged effect of changes in the employment context, and the adjustments of the unemployment insurance system that follow. It is thus general social assistance that is today the main pillar of the 'national solidarity' tier of France's dualized system of unemployment protection (Audier *et al.*, 1998).

Due notably to the fact that under-25s are not entitled to social assistance in France, however, it represents only a partial safety stretched under the unemployment insurance system.

During the 2000s, the proportion of unemployed receiving insurance benefits in France has increased somewhat from its historic lows of the late 1990s (Seeleib-Kaiser *et al* in this volume). In a reform that introduced new activation requirements for recipients of insurance benefits, in 2000 the social partners negotiated a relaxation of contribution conditions. The 2009 unemployment insurance agreement then traded some reduction in benefit levels and durations for better contributors against some limited benefit rights for those with the shortest work records (Clegg, 2011). But even though a 2008 reform aligned the ‘responsibilities’ – such as the job-search requirements and suitable work conditions – of all job-seekers, the rights-provision for different categories of French job-seekers retains a marked institutional duality, and an individuals’ prior labor market attachment continues to be a strong determinant of the level and the type of benefit they will receive if unemployed.

#### *Belgium: Preserving inclusiveness through residualization*

Unlike France, in the early 1980s Belgium had a long history of institutionally integrated provision for all the unemployed. From its inception the unemployment benefit system was in principle open to everyone who was unable to find a job (De Lathouwer, 2002). Though some contributory requirements were introduced in 1951, they remained very loose, intended essentially to avoid certain kinds of abuse (Palsterman, 2005: 156). The 1951 regulations also extended eligibility for unemployment insurance to young people with no professional experience, but having recently finished their studies. The functional need for supplementary systems of provision was further diminished by the fact that, uniquely among developed countries, entitlement to unemployment benefit has always been unlimited in time in Belgium. Though a national Minimum Income Scheme was introduced in 1974, there were for the above reasons very few unemployed people among its beneficiaries.

Originally Belgian unemployment benefits were also entirely flat rate, though with levels differentiated between rural and urban areas, on the one hand, and men and women, on the other. A more ‘Bismarckian’ earnings-related benefit structure was adopted in 1971, with benefits henceforth paying 60% of the previous salary for the first year of unemployment, and 40% thereafter to all the unemployed who were not heads of households (for whom benefit levels were maintained). However, the application of a strict insurance principle was limited

not only by the continuing reference to heads of households, but also by the ceiling for the salary on which benefits were calculated being rather low. The system was financed from contributions by employers and employees, the rates of which were fixed by law. A state subsidy had however always covered any difference between contributory receipts and expenditures, and by 1981 – after the explosion of unemployment in the 1970s – this subsidy represented just under 80% of total funds (De Deken, 2011).

With Belgian's exceptionally high indebtedness becoming a major concern, efforts were intensified in the early 1980s to reduce government contributions to unemployment insurance. Contribution ceilings that had been relaxed in the 1970s were scrapped altogether in 1982, and by 1993 the government subsidy represented only 7% of unemployment insurance finance (De Lathouwer, 2002). During the same period, though, an increasing share of unemployment insurance funds was simultaneously being devoted to early retirement measures, mainly providing unemployment benefit 'top-ups' to older unemployed workers who did not have access to collectively negotiated arrangements of the same kind introduced in the 1970s (De Deken, 2011). These classic 'labor shedding' measures have remained important up to the present day, and go a long way in explaining Belgium's very low activity rates among over 55s in particular. Although there is growing recognition that such measures are unsustainable, efforts to scale them back substantially have always foundered (De Deken, 2009). Given this, cost-cutting pressures resulting from growing concerns about levels of non-wage costs were very quickly instead focused on the structure of unemployment benefits for young and prime-age workers.

While cost-containment initiatives were indeed introduced in this area from the early 1980s in Belgium, they were however far more concentrated on reducing benefit levels than on reducing the scope or coverage of the unemployment benefit system by tightening contribution requirements or limiting the duration of payments.. Benefit reductions were not necessarily universal, though. In 1980, the group of 'non heads of households' was further subdivided for the purposes of calculating benefit rights into 'singles' and 'cohabitantes'. Benefits for the latter – a group comprised essentially of school leavers living with parents and married women with partners in work – became degressive in time, falling to an eventually flat-rate allowance which took no account of prior earnings. In 1982 benefits for young unemployed graduates – again, unless they were heads of households – were then disconnected from the minimum wage and replaced with a low flat-rate allowance, called the

bridging allowance. The principle for reigning in the cost of benefits in Belgian unemployment protection was thus a kind of need-testing under which need was inferred from age and household status (De Deken, 2009, 2011; Hemerijck and Marx, 2010), rather than a stricter application of the contribution principle as had been seen in France.

Subsequent parametric reforms to the benefit system have generally further confirmed this strengthening of a basic protection orientation (Palsterman, 2005). Having been decoupled from wages in the late 1970s, benefits were soon totally disconnected from consumer price developments and their level regulated on a discretionary basis. In practice the relative value of maximum benefits was allowed to stagnate, not being increased even in line with inflation in 1984, 1985 or 1986, while minimum benefits were increased more rapidly, albeit somewhat selectively, in function of perceived household needs; ‘heads of households’ did best, the ‘cohabitee’ group created by the 1981 reforms worst. As a result, the gap between maximum and minimum benefits for a head of household fell from around 25% in the late 1970s to just over 10% in the mid-1990s (Marx, 2007: 132). In the process, the insurance function of Belgian unemployment benefits has been increasingly abandoned; average benefit rates have fell from a little more than 40% of the average gross wage in the private sector in 1980 to around 27% by 2004 (Faniel, 2008: 55).

**Comment [SH3]:** this distinction into heads of households and cohabitees (basically men and women) seems really important in the Belgian case, and is itself a form of dualization, I would say.

But more importantly: was it not contested, at least by the EU after the 1990s or so, as being gender-discriminatory?

There have been very few efforts, by contrast, to limit entrance or continuing entitlement to unemployment benefit receipt; time-unlimited unemployment benefit has been a ‘sacred cow’ in Belgian social policy debates (Kuipers, 2006: 82-83). The one major attempt to limit entitlement is noteworthy mainly for the controversy it caused, despite its rather limited scope. In 1987 the so-called ‘suspension article 80’ was introduced, under which individuals from the ‘cohabitee’ group could – provided household income exceeded a relatively high threshold – be disqualified from benefit receipt if their unemployment spell was deemed ‘abnormally long’. In 1987 this was considered to be twice the regional average duration, controlling for the age and gender and the benefit claimant, and in 1993 was shorted to 1.5 times the regional average – which still meant that termination proceedings would not be initiated before at least 3 years of benefit receipt, and in some regions not until around 7 or 8 years (Marx, 2007: 129). When in the 1990s the Ministry of Labor stepped up efforts to actually enforce this rule – which had previously been implemented with a discretion that shaded into deliberate laxity – there was still a major public outcry, and a strong mobilization led by movements of the unemployed and supported by the trade unions eventually forced the

government to limit the powers of the agents of the Public Employment Office to pursue cases of suspected abuse (Faniel, 2005).

The upshot of this pattern of adjustment is that although unemployment benefits have lost value for all groups – and for some groups rather more so than for others – Belgian unemployment protection remains an institutionally integrated system, with a beneficiary rate consistently estimated at over 80% of the unemployed (De Lathouwer, 2002; De Deken, 2011; Schömann *et al*, 2000). Unlike in many developed countries, there is furthermore no notable difference between men and women in the proportion of unemployed people in receipt of unemployment benefits in Belgium (De Deken, 2011) Following from this, social assistance has traditionally played only a very marginal role in the social protection of the unemployed; while total minimum income reciprocity rates increased somewhat in the 1990s, at the end of the decade the total numbers of social assistance recipients were still less than a tenth of the number of people in receipt of unemployment benefits (De Lathouwer, 2002). Today social assistance remains a “truly residual system only providing means-tested benefits to those who are not part of the wage earning population, and a small minority of former wage earners who fail to meet the eligibility requirements of an otherwise very inclusive unemployment insurance scheme” (De Deken, 2011: X).

### **3. Solidarity Incentives: Explaining Policy Choice in Unemployment Protection**

The Belgian and French unemployment protection systems have thus both experienced considerable parametric reforms in recent decades. In certain respects, the winners and losers in this adjustment process have been similar in both countries; being young or being a woman makes it more likely to have lower levels of unemployment benefit entitlement in Belgium, just as it makes it less likely to receive an insurance benefit when unemployed in France. But the fact that Belgian and French policy makers have pulled on different reform levers – mainly benefit levels in the former case, mainly contribution conditions and benefit duration in the latter – has had important consequences. In Belgium, an accessible and encompassing unemployment benefit system has been maintained, but at the cost of a progressive leveling down of benefits to a basic protection level, with a concomitant abandonment of any real insurance role of unemployment benefit for higher earners. In France, by contrast, preserving better rates of income replacement for many groups has meant accepting an increasingly exclusive ‘top tier’ unemployment benefit system, with the implication that other risk profiles

are now provided for – if at all – through subsidiary arrangements, on an explicitly means-tested basis. Accordingly, most recent data shows that while unemployed people in France are less likely than their Belgian counterparts to have less than 70% of the equivalized median income, they are rather more likely to have less than 40% or 50% (Eurostat, 2010b).

Although levels of overall expenditure on unemployment benefits have converged in the two countries over the last quarter-century, the institutional and distributive logics at play have therefore been different. While in the French case we can witness an explicit dualization of unemployment protection into overlapping but discrete arrangements of distinctly different quality for ‘insiders’ and ‘outsiders’, in Belgium there has been an apparently more ‘solidaristic’ sharing of the burdens of adjustment in this policy sector among different risk groups in the labor market. Given that the policy logic and distributive thrust of the broader socio-economic adjustment trajectories in both countries are otherwise so similar, the intriguing question is why unemployment insurance has not followed suit.

In existing literature on the dualization of regulatory and institutional arrangements in Continental welfare-production regimes, reform of unemployment protection arrangements has largely been understood as a spill-over from the labor market adjustment strategies of powerful insider interests represented in coordinative institutions. In their analysis of France and Germany, Palier and Thelen (2010 and in this volume) thus argue that the dualization of unemployment protection in the two cases followed from the political and financial pressures generated by labor shedding strategies and the gradual development of a secondary labor market that resulted from the negotiated closure of internal labor markets by insiders. The logic is thus one of complementarities between welfare state reforms and broader labor market adjustment strategies, with the latter driving the former. As discussed above, however, labor shedding has been if anything more prevalent and consensual in Belgium than in France since the 1980s, and atypical employment has also expanded, albeit by less than in the French case. There is thus little reason to think that the less dualistic reform pattern in Belgian unemployment protection results from markedly different adjustment strategies and coalitional dynamics in the industrial relations sphere, and the functional pressures for change these generate.

An alternative explanation for Franco-Belgian divergence could potentially reside in the party political sphere. It is widely argued that social democratic governments may have a significant impact on the extent to which dualizing labor market and social policy reforms

will be pursued, though controversy remains over the nature of the relationship (Palier and Thelen, 2010; Rueda, 2007). But over the period from 1980 to 2007 as a whole, the left share of cabinet seats in Belgium and France is very similar, averaging 40% and 48% (own calculations from Armingeon, 2007). While the nature of the countries' electoral systems means left party participation in governments has been more intermittent in France than Belgium, there appears to be no clear link between the partisan composition of government and the reform choices made. Some of the most dualizing reforms in French unemployment protection were enacted under governments of both the left (1982-1984) and the right (1993), while the 'basic protection turn' in Belgian unemployment protection began when the left was out of government and has been continued since their return. In reality, governments of all partisan stripes find it difficult to exert influence over the direction of unemployment benefit reforms in both countries. Parametric adjustments in France are, as mentioned, formally based on autonomous collective agreements between the social partners, which are usually directly translated into law. In Belgium unemployment insurance legislation is mainly based on Royal Decrees that are not subject to Parliamentary debate, and the content of which is strongly influenced by a process of upstream negotiation with the social actors (Kuipers, 2006: 84).

When examining the Belgian case it is of course important to consider the possible impact of the federal political system and the underlying linguistic cleavages, which have become considerably more salient in the period since 1980. This is undoubtedly important in understanding aspects of social policy (non-)reform in the Belgian case, particularly as the linguistic cleavage coincides with sharp differences in the social and labor market situations of Flanders and Wallonia (Poirier and Vansteenkiste, 2000). This incendiary nature of the 'regional question' perhaps can help explain why governments and/or social actors have been reticent to push for tighter eligibility conditions for, or more limited entitlement to, unemployment benefit payments that might drive some of the unemployed onto the social assistance scheme. Given that the latter is part-financed by local government, such a change would lead to a damaging and highly controversial alteration in the flow of resources within the country (OECD, 1998: 102-103). More generally, distinguishing 'professional solidarity' from 'national solidarity' is undoubtedly more problematic when the latter is now so difficult and contested. But as discussed below the other policy preferences of social actors appear to systematically trump their regional identities, and thus moderate the influence of sub-state nationalism on policy decisions and non-decisions (see also Béland and Lecours, 2005).

It might be also argued, finally, that different historical and ideational legacies can help to explain why processes of post-industrialization in the labor market have produced such different unemployment policy results in the two cases. In part, the story told in the previous section is less one of divergence from a truly common starting point as it is of a reversion to first principles. As noted, the Belgian unemployment benefit system was always more oriented to basic protection, and had only really taken on a stronger insurance character in the 1970s; inversely, in France the original vocation of UNEDIC was to provide replacement incomes to the normally securely employed, and it had only integrated more basic protection functions over time. Despite the institutional convergence at the end of the ‘golden age’, it could be argued that certain policy principles – such as time-unlimited unemployment benefits in Belgium, or their ‘professional’ character in France – had endured, and served as ‘cognitive locks’ (cf. Blyth, 2001) that shaped the attitude and preferences of all actors when later faced with cost pressures. Such an argument would however overstate the degree of consensus over the parametric reform options available, and downplay the role of agency and choice in the privileging of one over others. For example, in their contribution to debates on the modernization of social security in the mid-1990s, the Belgian employers confederation argued that in each sector of social protection it was necessary to distinguish “that which is concerned with general solidarity – and must therefore be covered by general means – and that which is concerned with professional solidarity – and must be covered by contributions” (cited in Arcq and Reman, 1996: 27). A dualistic policy response to structural change was, then, on the table in Belgium as well as France. To explain why it was less influential in unemployment protection reforms in one case than the other we need to understand how different reform options intersect with the interests and preferences of other influential actors.

It is argued here that the divergence between Belgian and French unemployment protection policies is best understood in relation to the preferences and strategies of trade unions in the two countries. Palier and Thelen (2010; and in this volume) also focus on (some) unions, emphasizing how the compromises they reach with the representatives of (some) employers when faced with the challenges of structural change encourage the adoption of dualistic policies across inter-related sub-spheres of coordinated market economies. With respect to unemployment protection issues, however, it is suggested here that the most important influence on the preferences of the unions is not the interests of their (insider) members, but rather their interests as organizations participating in the governance of unemployment insurance arrangements. While these organizational interests generate preferences for

dualistic policies in the French case, the difference in the way that social governance functions means that this is not the case in Belgium.

French and Belgian trade unions are very different<sup>3</sup>. While France has the lowest rates of union density of any developed country, trade unions in Belgium are not only relatively strong in membership terms, but have also bucked a widespread trend by avoiding membership decline since the early 1980s. Between 1980 and 2007 union density fell from just under 20% to around 9% in France, while in Belgium it remained stable at around 55% (Visser, 2009). Some of the explanation for both the different levels of unions' density and, even more so, for the divergent trends since the 1980s, is commonly argued to be found in the specific role of Belgian trade unions in the unemployment benefit system (Vandaele, 2006). Belgium is characterized by a 'pseudo-Ghent' unemployment benefit system, with unions acting as the 'cash desks' of the public unemployment insurance system, paying out benefits to the unemployed on behalf of the Public Employment Office. Though unlike in true Ghent systems unemployment insurance is compulsory and it is not necessary to join a union to be able claim benefits, 85% of the unemployed choose to do exactly that, because of the denser network of union payment offices, the better legal support services they provide and the fact that the union funds often pay benefits more rapidly (Faniel, 2008: 54). As a result, "the prospect of becoming unemployed ... drives employees into the unions" (Vandaele, 2006: 652).

Is it simply the greater overall strength of the Belgian unions, or the related fact that unemployed 'outsiders' are thus a significant minority of their members, that explains the divergence in Belgian and French unemployment policy (cf. De Deken, 2011; Eichhorst and Marx in this volume)? If this were the case, then we would surely anticipate the divergence between the Belgian and French cases to be even more wide-ranging and clear-cut than it is. In the field of unemployment benefit policy we would expect cost containment pressures to have been headed-off in Belgium altogether, rather than simply channeled in particular ways. We would furthermore not expect Belgian divergence to be contained to the sphere of unemployment, but instead impact on the broader socio-economic adjustment trajectory discussed in section 1. In particular, if the important variable were the greater representation

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<sup>3</sup> This paper discusses unions in an undifferentiated way, despite the existence of three representative national confederations in Belgium and five in France. While internal decision-making within confederations and competition between them obviously impacts on union preference formation in both countries, exploration of this is beyond the scope of this paper and is not necessary to understand the comparative argument developed here.

of ‘outsiders’ in Belgian unions, we would anticipate that labor market adjustment strategies as a whole, and not just in unemployment protection, should be more ‘outsider friendly’. The reality is that despite their membership profile Belgian unions do in fact generally privilege the interests of insiders, notably as a result of the limited mobilization of unemployed members inside them and the role of the unions’ leaders – always drawn from the core ‘rank and file’ of employed members – in setting policy strategies (Faniel, 2006; 2009).

If the Belgian unions have resisted the dualization of unemployment protection specifically, it is rather because the way their organizational interests have shaped their policy preferences in this field. The unions’ governance role in unemployment benefit impacts not only on their inherited membership profile, but also on their forward-looking strategic preoccupations. As mentioned, participation in unemployment benefit administration acts as a ‘recruiting sergeant’ for Belgian trade unions, but it does so all the more effectively if employees know that they will be able to continue to receive benefits from the union funds irrespective of their contribution history or unemployment duration.. Furthermore, in addition to the cost of the benefit they pay out, the unions additionally receive a set administration fee – covering both operating and personnel costs – from ONEM for every unemployed person they pay benefit to. The resources flowing from this fee alone is estimated to represent around 25% of all union funds in Belgium (IGAS, 2004: 25), an income stream that would diminish if some of the unemployed were to receive benefits elsewhere, either from the public payment desk or in an alternative benefit system. Both recruitment and financial considerations can explain why the unions have long tried to limit the attractiveness of competing cash desks in the public system (Faniel, 2007: 19), but also why they are so keen to maintain the integrated structure of benefit provision. It thus helps us understand why they fought much harder against attempts to limit the duration of benefits than they have against declines in the insurance function (Kuipers, 2006: 82-83; Marx, 2007: 155), despite the fact that this in principle benefits outsiders more than insiders.

The force of these organizational interests is underscored by the way that they appease the potential tensions and policy dissensions the might result from sub-national and linguistic cleavages that cut across organized labor in Belgium. Though the Catholic ACV/CSC has a clear majority of Flemish members, unlike the Flemish political parties it has never shown much enthusiasm for the regionalization of the social protection system (Béland and Lecours, 2005: 279; Palsterman, 2007: 21). There is far less disagreement on the importance of

maintaining a federal social protection system between the various unions than between Belgian political parties, who compete for voters – many of whom are union members – on fiercely regionalist platforms (Palsterman, 2007).

The historical legitimacy of the governance arrangements in unemployment insurance, rooted in history of Belgian unemployment protection and symbolically related to the ‘social pact’ of 1944 (Pasture, 1993), plays an important role too. Due to this ‘organic’ legitimacy, there is no perception that union administration is any less justified in the context of heavy state subsidization of unemployment insurance. As noted above, the state subsidy to the unemployment insurance fund was as high as 80% around 1980, without this ever seriously calling into question the legitimacy of the unions’ governance role. This also allows the unions to press for the policies they prefer without their core membership necessarily having to bear a disproportionate cost through social contributions.

Though the French trade unions also participate in the governance of unemployment benefits, they face a very different set of institutional incentives. As noted, French unemployment benefits are managed through periodic collective agreements between the social partners subject only to *erga omnes* extension by the state, a system known as *paritarisme*. Unique for any public unemployment insurance in the developed world, this governance structure is an artifact of the origins of UNEDIC, which was initially established as a complementary system of benefit provision through which the social partners could manage their labor market needs. Though it does not bring any membership benefits to the French unions, it does give them access to precious financial resources, including a share of a public subsidy for ‘the functioning of *paritarisme*’. While it is notoriously difficult to establish their magnitude exactly (Hadas-Lebel, 2006: 60), these resources – as well as the political status *paritarisme* affords - appear particularly crucial to the organizational viability of French unions, given their very low membership rates. For this reason their interests in the unemployment protection sphere have always been about preserving the viability of *paritarisme*, as well as defending the rights of employees (Clegg, 2005).

As in Belgium, though, the unions’ organizational interests within a given institutional configuration have a knock-on effect for their unemployment policy preferences. As the missions of UNEDIC have expanded, its *paritaire* functioning has become increasingly vulnerable to questions and criticisms regarding its appropriateness. Lacking any organic

justification for their governance role in the context of a fundamentally statist political culture, the autonomous contributory financing structure of the institution is the social partners' main argument against these criticisms; unemployment insurance is funded entirely out of contributions paid by firms and workers, and it is therefore still appropriate that their representatives should be charged with its co-management. When in 1982 the employers refused to countenance further contribution increases, and the state refused to extend its recently instituted subsidy without taking on an explicit managerial role, the unions were faced with a choice; risk the demise of the *paritaire* system or negotiate selective reductions in benefits.

It would have been conceivable to maintain a relatively integrated benefit system within stable financial parameters by reducing the replacement rate at the higher end, or by restricting benefit entitlement for those with longer work- and contribution-records. Instead, the union preference was for the adjustment pattern outlined above; the maintenance of generous replacement rates for good contributors, and the acceptance that others would need to rely on tax-financed national solidarity provisions. Partly, this can be explained by the intersection of the unions' defense of *paritarisme* with their representational bias towards a core membership of older, securely employed workers. But the defense of *paritarisme* also played a role in union preference formation that was independent of any 'logic of membership'. On the one hand, by tightening the link between contributions and entitlements, the reform choices have reaffirmed the insurance character of unemployment insurance, and – in addition to the autonomous financing structure – helped bolster legitimacy for the system's management by the social partners. On the other, the survival of *paritarisme* required common ground being found between both the unions and the employers, which meant that the former were obliged to take on board the preferences of the latter in a way that Belgian unions were not.

As Palier and Thelen (2010; and in this volume) have argued, then, the dualization of French unemployment insurance resulted from a compromise between unions and employers structuring policy development in this field. What the preceding discussion has shown, however, is that the reason the French unions sought to reach such a compromise, and accepted the parametric reform choices on which it could be built, is intimately related to their organizational interest in preserving their role in unemployment insurance governance. As the Belgian case illustrates, under a different governance arrangement the maximization of

organizational benefits to unions can be much less dependent on the formation of cross-class compromises, and encourage the adoption of a very different set unemployment policy preferences. Even in similar welfare-production regimes, the adoption of dualistic welfare policy responses to the post-industrialization of labor markets is therefore far from inevitable.

### **Conclusion: The Importance of Minor Differences**

The rise of the industrial working class was one of the key sociological developments of the early part of the 20<sup>th</sup> century, and a crucial driver of social policy development. It now appears clear that post-industrialization of labor markets has been a key feature of the *fin de siècle* and is structuring social policy development into the new century. But just as the rise of labor power, and its political and policy impact, was shaped by variations in often apparently rather technical features of existing policy institutions across countries (Rothstein, 1992), so institutional variations in established public policies are mediating the impact of structural labor market change on the preferences of organized interests and on its implications for social policy development.

The analysis of the recent development of unemployment protection policies in Belgium and France in this chapter provides one example of this. Despite similar macro-institutional settings, unemployment protection policies evolved very differently in the two cases, leading to a progressive shift to a minimum protection model for all the unemployed in the Belgian case, and the adoption and maintenance of a dualized unemployment protection structure in the French. This divergence can be explained, it has been argued, by the way that the link between union strategies to maximize organizational rents and benefits, on the one hand, and their policy preferences, on the other, is mediated by the structure and operation of social governance institutions in the sector. Even though they are generally ‘insider’ membership organizations unions’ policy preferences will not necessarily manifest an insider bias, as these actors also – and perhaps even mainly – pursue organizational goals. How these goals translate into policy preferences, though, depends on the structure and operation of social governance arrangements, which can vary considerably between countries in the same welfare-production regime, and even from policy sector to policy sector in the same country (Ebbinghaus, 2010). While unemployment protection in Belgium and France illustrates this phenomenon well the argument also has broader relevance, as suggested by the importance of unions’ organizational interests in specific governance arrangements in shaping their labor

**Comment [SH4]:** I am not sure you can draw this conclusion from the analysis in this chapter, since both competing variables (membership structure and organizational interests / union financing) covary identically. French unions are more insider-oriented and have no organizational interests to advocate outsider-interests, whereas Belgian unions have more outsider members and have an organizational interest in providing benefits to them. you cannot really tell which one made the difference here. Given this research design, I would formulate this conclusion more carefully.

market and unemployment protection reform preferences in countries such as the Netherlands (Clegg *et al.*, 2010) and Sweden (Anderson, 2001).

What broader conclusions can we draw regarding the politics of dualization in social protection? The argument suggests, firstly, that even in relatively similar macro-institutional settings and faced with similar functional pressures, a dualizing dynamic will not necessarily ‘cascade down’ into social protection reform from developments in the productive sphere. Social policies such as unemployment insurance are core societal institutions, too important in their own right to the interests and strategies of collective actors to simply reflect or react to change in the labor market. This is of course not to deny the existence of linkages between the productive sphere and the realm of social protection. It is to suggest, however, that – especially in the short-term – coherence or complementarity between the two is not inevitable, and that the causal arrow between developments in the two spheres runs in both directions. With regard to the latter point, the cases analyzed here perhaps provide some good examples of this. If temporary employment has grown only moderately in Belgium since the 1980s despite high labor costs and relatively rigid protection of standard employment (Eichhorst and Marx in this volume), this may be in part because an encompassing unemployment insurance system has given potential cheap labor an ‘exit option’ that they do not have elsewhere. Inversely, the fast expansion of atypical employment statuses in France was probably as much a result of the dualization of unemployment protection – which left many people without any benefit-based income protection at all – as it was a driver of it. In both cases it can be argued that social protection reforms have their own autonomous political logic and dynamic, which shapes as much as it is shaped by developments in the labor market.

A second implication of the analysis is that if the policy preferences of collective actors such as trade unions are as much institutionally as sociologically generated, then they can in principle be shaped through institutional and governance reform. Though institutional reform is never easy, governments operating in policy environments characterized by traditions of social partner influence may under certain circumstances therefore be able to alter the course of policy development and impact on distributive outcomes not only through monetary side-payments, but also through ‘meta-reforms’ (cf. Clegg, 2007) that change the incentives of social actors. This seems to be exactly what French governments have belatedly realized with respect to unemployment protection. In the process of a 2008 reform that merged the unemployment insurance system and the public employment service at delivery level in

France, it was made very clear to the French unions that the preservation of *paritarisme* in unemployment insurance would depend on their negotiating policies that were a better fit with (the current government's interpretation of) the general interest (Willmann, 2009). It was in this context that the 2009 unemployment insurance agreement innovated with a parametric reform that reduced the maximum duration of benefit payment for some better contributors while relaxing the minimum contribution conditions considerably. This reform seems set to enlarge access to first-tier unemployment insurance, and possibly represents a first step towards a more institutionally integrated system of post-industrial unemployment protection.

Would such a change help to combat inequalities in the French labor market and society? This brings forth a final consideration, of a more speculative nature, regarding the effect of the different reform trajectories discussed in this chapter. While it may be tempting to read social and distributional outcomes off from institutional structures, it is probably a temptation that should be resisted. Though Belgian unions' organizational interests led them to support what appears *prima facie* to be a more 'solidaristic' unemployment benefit reform strategy than their French homologues, it was noted above that Belgium has some of the highest rates of long- and very long-term unemployment in the developed world. Furthermore, while the Belgian adjustment trajectory appears to date to have limited the extent of severe poverty among the unemployed, the decline of the insurance function may actually undercut political support for such solidarity in the longer-term (Marx, 2007). This chapter has focused on the political drivers of reforms that tend to dualize, or otherwise, social protection structures and arrangements. How far these alternative reform paths reinforce or mitigate different kinds of social inequalities over the long-term is a related but separate question, important enough to merit explicit investigation in its own right.

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