From Liberal Statism to Statist Liberalism

From Liberal Statism to Statist Liberalism: The Transformation of Unemployment Policies in Europe

Daniel Clegg, University of Edinburgh

Introduction

Of all the welfare sectors to have come under pressure for reform in the contemporary context of fiscal austerity and economic liberalisation, it is in unemployment policy that change has been most far-reaching. In some ways, the relationship between liberalisation and unemployment policy reform seems straightforward. Even in the post-war decades of healthy economic growth, rising general prosperity and relative welfare state consensus, cash benefits for the unemployed were a *bête noire* for liberals everywhere, accused of obstructing the functioning of labour markets and of undermining the work ethic. Amongst citizen-voters more generally, unemployment benefits have long been perceived as the least legitimate form of welfare state provision (Coughlin, 1980). It is thus at first glance unsurprising, if not downright banal, that a period of widespread liberalisation should have ushered in a wave of thoroughgoing reforms to these eternal 'benefits of doubt' (cf. Pennings, 1990).

This chapter argues that recent reforms of European unemployment policies nonetheless reveal an interesting and often-overlooked dimension of contemporary welfare state transformations, namely the way in which much economic liberalisation presupposes an *increase* in directive state activism. Certainly, the medium-term ambition of much contemporary unemployment policy reform is to reduce the scope for existence outside the market. Furthermore, in many countries public services that traditionally provided job-brokerage and other employment-related services are being opened up to competition from private, for-profit, providers (cf. Sol and Westerveld, 2006). But in a manner recalling Polanyi's seminal account of Poor Law reform in 19th century England, these liberalising processes rely not on a dismantling but instead on a streamlining and a re-aggregation of existing benefit systems, and in many respects an increase in public intervention, both in the operation of the unemployment policy sector and in shaping the choices and behaviour of (unemployed) citizens.

Unemployment policy thus shows particularly clearly the statist dimension of some contemporary market liberalisation[1], and more broadly reveals how privatising and collectivising trends interact in complex ways across the different levels – discourse, institutions and outcomes - of welfare development.

Focussed mainly on the institutional level, the principal concern of this chapter will be in mapping and explaining the differing degree to which unemployment policies have become more market-supporting in selected European countries over the last ten to fifteen years. Acknowledging the potential for arrangements at the institutional level to apparently contradict the broader thrust of policy development at the level of discourses and outcomes is important here for another, more explanatory, reason. As will be discussed, the unemployment benefit policies of the post-war 'golden age' of welfare statism were in many countries actually pursued through institutional arrangements in which the capacity of the state was strictly limited. Because contemporary market-supporting unemployment policies require enhanced state capacity, the degree of 'liberalism' in pre-existing policy arrangements and the solidity with which this was institutionalised is, I argue, a decisive factor in explaining the prospects for and limits on reform in different national contexts. In some countries, the principal challenge to making unemployment policies more market friendly is thus justifying more, not less, state intervention.

The chapter is organised in four main sections. The first expands on my overarching characterisation of current trends in unemployment policy by contrasting, in ideal typical terms, the conception and organisation of traditional and contemporary unemployment policies respectively. Section two examines the empirical cases of Denmark and the United Kingdom (UK), where notwithstanding the oft-remarked differences in the orientation of social and labour market policies recent governments have deployed the comparatively high leverage that the central state has always enjoyed over unemployment benefits to effect a decisive transition to a more market-supporting unemployment policy. This contrasts with the cases of Belgium, France and Germany, examined in section three. In each of these countries – largely, I

[1] Authors such as King (1999) and Standing (2001) have already highlighted the illiberal face of liberalisation in unemployment policy. For a similar argument applied to public policy more broadly, see the collection edited by Levy (2006).

suggest, as a result of the institutionalised influence of private actors in unemployment insurance policies – reforms have taken a different route. Though there have been considerable changes to unemployment policies in each of these countries, more wide-ranging and more market-conforming reforms of the kind seen in Denmark and the UK would arguably require a far more explicit coordinating role for the state. Underlining this point, section four briefly examines the case of the Netherlands, where the essential complementarity between *étatisation* and liberalisation in contemporary unemployment policy reform is perhaps clearest. The chapter concludes by drawing out some implications of the argument for our understanding of contemporary welfare reform.

Liberal statism and statist liberalism

A characterisation of the current wave of unemployment policy reforms as statist draws an implicit contrast with what they are today superseding, namely the traditional unemployment policies of the 'golden age' of welfare state development. My contention is that compared to the recipes currently gaining ground, the unemployment policies deployed in the vast majority of European countries up to a fairly recent period were indeed quite liberal in some important respects. This is not to deny that the distributive implications of traditional unemployment policies were often bitterly combated by economic liberals and capital interests, for - as with the portrayal of current policies as statist - my argument refers more to institutions and procedures than to aims or outcomes. Nor is it to say that the state played no role in the institutionalisation and operation of these policies; it certainly did, albeit - as we will see below - with marked variations cross-nationally. But the conception of traditional unemployment policies was nonetheless everywhere premised on a relative restriction of the scope for 'political meddling' and bureaucratic judgementalism, and conversely on a respect for the consistency and transparency of entitlements and for the autonomy of the (unemployed) citizen. Such assumptions were furthermore institutionalised, in different ways and to differing degrees cross-nationally, in the organisation of the unemployment policy sector.

The key institution in the traditional model of unemployment policy was social insurance. Though it was only through state intervention that the limits of mutual or private forms of insurance as a response to the problems thrown up by the development of industrial society could be overcome (Castel, 1995; De Swaan, 1988), social insurance was nonetheless built on the template of these pre-existing institutions. Social insurance was in many respects an outgrowth and a generalisation of its mutual and commercial cousins, building as much on the contractual 'patterns of access' found in market relations and in civil society as it did on those habitually associated with the classic citizen-state relationship (Ferge, 2000). In the area of unemployment policy, social insurance, with its associated language of 'risk' and 'compensation', actually represented a liberal bulwark against the more 'transcendalist' policies of socio-economic regulation put forward by many socialists and conservatives alike (Walters, 2000: 59).

The institutionally liberal dimension of golden age unemployment insurance provisions can be seen in their *financing*, their *regulation* and their *content*[2]. Though they were obligatory and centrally set, unemployment (and other social) insurance contributions were traditionally quite differently conceived from regular taxation, and the individual rights to transfers they finance perceived as more inviolable than rights to access other collectively (tax) financed goods and services. Unemployment insurance contributions were often equated with individual savings, and unemployment benefits seen as a 'deferred' part of an individual's duly earned salary (Palier, 1999). This special status was in many places institutionalised through the creation of discrete collection and distribution agencies, clearly separate from the national treasury, and not infrequently devolved to private or para-public institutions managed by non-state actors, such as trade unions and employers' associations. These same actors were, partly as a consequence, often also heavily involved in decision-making around unemployment insurance, diminishing the state's regulatory autonomy accordingly.

In contrast to the now-common characterisation of all golden age social policies as standardised and homogenising forms of provision, unemployment insurance benefits

[2] This triad of financing, regulation and content is intended as a synthesis between the 'mixed economy of welfare' framework (financing, regulation and provision) used elsewhere in this volume and the four institutional variables (mode of access, benefit structure, financing and governance) commonly referred to in the cross-national analysis of income maintenance programmes (cf. Ferrera, 1996; Bonoli and Palier, 1998).

were – like other social insurances – also often distinctly differentiating, if not wholly individualised. Most basically, the contributory requirements for access to unemployment insurance benefits allowed the regularly employed worker to be distinguished from those more peripherally attached to the labour market, and to escape, when temporarily out of work, the collective condemnation which had traditionally fallen on the jobless as a whole. The introduction of social insurance thus allowed ‘social risks’ to be distinguished from ‘social problems’, however crudely (Topalov, 1994). Further, in the vast majority of unemployment insurance systems benefit levels were expressed as a percentage of individual salaries, ensuring that the individual risk resulting from the loss of employment was adequately compensated. Finally, the provision of untied cash benefits actually upheld and supported the capacity of the unemployed to make autonomous choices, both with respect to planning their professional reintegration and more broadly as normal consumer-citizens.

With respect to the last point, it might be objected that even for those with good contributory records unemployment benefits were never wholly unconditional; regulations always existed concerning periodic registration at employment offices, or obligations to accept work defined as ‘suitable’. If deployed in moderation, such regulations are however not antithetic to a liberal conception of insurance; they merely correspond to the protections against ‘moral hazard’ that are built into most standard forms of private insurance contract. It was with moderation – and many today would argue laxity - that such controls on the status and behaviour of benefit recipients were in fact deployed in the vast majority of golden age unemployment benefit systems. Only in those countries where policy makers were already fixated with the impact of unemployment benefits on the operation of the labour market were regulatory and bureaucratic controls on the unemployed more intense and punitive, ‘in the name of liberalism’ (King 1995; 1999).

The increasing emphasis across the developed world on activation and benefit conditionality (e.g. Barbier and Ludwig-Mayerhofer, 2004; Dufour *et al.*, 2003; Lødemel and Trickey, 2001) is perhaps the most obvious indicator of a more widespread shift to paternalistic unemployment policies in the contemporary period. Governments everywhere have come to see the liberty traditionally left to benefit recipients to organise their own labour market reintegration as problematic, encouraging insufficiently active or strategic job-search and leading to dangers of long-term labour market detachment and benefit dependency. In response, the emergent unemployment policy paradigm emphasises the need for stricter behavioural controls and more directive interventions in the job-search (and eventually the job re-qualification) process, beyond the simple prevention of moral hazard. Though the shift is often characterised discursively as one of rebalancing individual rights with individual responsibilities, the new policies are just as much about an increase in collective, governmental enforcement and orientation capacities.

Beyond activation *per se*, it is a completely new conception of unemployment protection – and indeed unemployment - that is emerging. This can be seen in the challenge to the contribution principle that for so long underpinned the operation of unemployment insurance. In a labour market where more transitions and flexible employment trajectories are valorised, a contribution record – and more generally an individual's employment history and past status - is no longer considered a fair or useful basis for determining the access to and level of social support in unemployment, being seen to over-compensate some unemployed individuals at the expense of the financial penalisation or even exclusion of others. The emergent trend is thus towards the levelling-out of eligibility and entitlements, whether this is achieved through an alignment on the situation of the traditionally least protected, on that of the traditionally most protected, or something in between. Related both to this and to the trend to activation, a contribution history is also no longer seen as a meaningful proxy for 'autonomy' or 'proximity to the labour market', and thus as evidence that unemployment is the result of impersonal structural forces rather than personal deficiencies. The conventional distinction between the 'risk' of unemployment and the 'problem' of joblessness is collapsing (Walters, 1996). Though some gradations of benefit status amongst the jobless population persist, it is increasingly individual 'profiling' procedures that trigger additional interventions, a far cry from the old idea - implicit in the notion of the 'deferred salary' - that good contributors have some inalienable right to unconditional income support.

The emergent policy paradigm has implications not just for the content of unemployment benefit policies, but also for their financing and regulation. There are pressures, firstly, to ease the rigidity of the demarcation between the financial circuits of unemployment insurance and regular public taxation and expenditure. Unemployment policy is drawn ever closer to the field of fiscal policy, to facilitate both the fine-tuning of individual tax incentives and to make the financing of social protection more ‘employment friendly’, notably by shifting the financial burden from labour costs to general revenues (cf. Palier, 1999). The smooth integration of passive and active labour market policies also presupposes the ability to cross-finance initiatives that in the past were often funded out of social contributions and general taxation respectively. The dissolving barriers between active and passive labour market policies also challenge, secondly, an institutional separation between the public employment service and the unemployment benefit system. At the delivery level the emphasis is now placed on offering ‘single gateways’ to all employment-related services (Clasen *et al.*, 2001), while at the policy level the need for co-regulation, as well as co-financing, of these two domains is ever more strongly affirmed. More generally, the demise of the distinction between the risk of unemployment and the problem of joblessness is undermining the notion that the treatment of the former can be in some way self-regulating, insulated from the more obviously politico-bureaucratic forms of regulation to which the latter has always been subjected.

Traditional unemployment policies are thus under increasing pressure for reform in Europe and beyond. But though the broader context for these calls for reform is one of economic liberalisation, the thrust of institutional reform is in many ways statist, bringing statutory oversight and bureaucratic control back into a policy sector that had long operated more or less under its own steam. The ‘more or less’ of this last sentence is quite crucial, though, for as suggested in the country studies below it is largely by understanding the differing degrees of public influence over traditional unemployment policies that we can properly understand the varying ways in which the transformation of unemployment policy is actually advancing in the different welfare states of Europe.

Statist clean sweep: the British and Danish cases

The cases of Denmark and the United Kingdom (UK) are now well known in the international literature on unemployment policy reform, often held up as diametrically opposed models of contemporary, post-compensatory, unemployment policy (cf. Barbier, 2004; Torfing, 1999). Without necessarily contesting this portrayal, it can nonetheless be observed that from a more structural perspective reforms in the two countries also share a number of common features (Clasen and Clegg, 2006).

A first commonality between the two cases is to have effectively moved (further) towards a de-differentiated structure of benefit provision for the unemployed. In Britain, this has essentially occurred through the progressive alignment of rights for all the unemployed on those conventionally reserved for workers without any contributory records, that is to say unemployed recipients of social assistance. Conservative governments between 1979 and 1997 enacted the most significant reforms in this regard. After the modest earnings-related supplement paid to the unemployed with the longest contribution records was scrapped in 1982, reforms in 1988 tightened the contribution requirements for access to insurance-based unemployment benefit (UB). The duration of entitlement of these was then reduced from 1 year to 6 months with the introduction of Jobseekers Allowance (JSA) in 1996 and, tellingly, their monetary value aligned with means-tested benefits for the jobless (now called ‘income-related JSA’). New Labour governments since 1997 have reversed none of these reforms, and the proportion of unemployed receiving insurance-based benefits, around 50% in 1980, had fallen as a result to only 16% in 2001 (DWP, 2003). Insurance-based benefits have been made so exclusive and modest that they are becoming increasingly irrelevant to the social protection of the jobless in Britain.

In Denmark, unemployment benefit rights have actually long been relatively undifferentiated, a result firstly of the relatively open access to the insurance system and secondly of the comparatively low benefit ceiling, which limits the extent that insurance benefits can vary with earnings. Directly contrary to Britain, this is a system where the majority of the unemployed receive insurance benefits and only a very few social assistance. Recent reforms have mainly been concerned with safeguarding this historic ‘levelling-up’ approach to standardisation in unemployment benefit provision. Thus, while some new differentiations in benefit rights were introduced in the 1980s –

lower benefit rates for those with partial contribution records, for example – these were removed in subsequent reforms. Since the early 1990s, cuts have instead largely been general ones, notably the progressive reduction in the maximum duration of insurance benefits from 7 to 4 years, irrespective of contribution record, between 1993 and 1998 (cf. Goul Andersen, 2002). These changes have allowed the Danish unemployment insurance system to remain economically viable even with a beneficiary rate[3] that, at around 80% at the end of the 1990s, is the highest in Europe (Samek, 2001: 61).

Another similarity in recent unemployment policies enacted in the two cases is the embrace of generalised activation. Of course, there are significant differences in the content of activation, notably in the level of investment in training provision, far higher in the Danish than British case. We could with some justification contrast the ‘positive’ activation practiced in Denmark and the ‘negative’ activation practiced in the UK (Barbier, 2004, Torfing, 1999). In both countries activation has since the mid-1990s nonetheless become a core guiding principle in benefit provision for all the unemployed, and increasingly also for other inactive groups.

In both countries, finally, activation has also resulted in and been facilitated by significant changes to the organisation of the policy sector. In the UK, UB and social assistance for the jobless were merged and harmonised with the creation of JSA. After the ‘Restart’ initiative launched in 1986 the administrations in charge of employment policy (the Employment Service) and benefit policy and administration (the Benefits Agency) were also ever more closely coordinated, culminating in their merger to create a ‘Working Age Agency’. At the delivery level, finally, benefit and job search services are increasingly brought together in the so-called Jobcentre Plus, which is now the pivot of provision for all the registered unemployed as it is for other working age benefit claimants. This has institutionalised a shift away from the historic focus on unemployment and towards an emphasis on ‘worklessness’ in UK labour market policy (Clasen, 2004).

[3] Proportion of unemployed individuals receiving unemployment benefits.

To date, institutional changes in Danish unemployment policy have been less radical. The pre-existing pillars of labour market policy – the trade union-run unemployment insurance system, the local authority-run social assistance, and the state-run public employment service – retain distinct institutional identities, though their activities and interventions have since the mid-1990s increasingly been channelled through and co-ordinated by tripartite labour market authorities which operate at the regional level (Ploug, 2004). From January 2007, though, the desire to provide a common gateway to all services for all of the unemployed has led to the creation of 90 new 'Jobcentres', fairly explicitly modelled on the integrated British system. In 10 pilot centres the administrative responsibility for the unemployed rests entirely with the local authorities. If this model is generalised, it will represent a considerable enhancement of the state's role in Danish labour market policy, essentially to the detriment of the trade union funds.

In sum, in Denmark and the UK major changes in the conception and the institutionalisation of unemployment policy have taken place in recent years. More or less in parallel, these reforms have encouraged or consolidated a (more or less generous) standardised approach to unemployment benefit rights, have introduced broadly universal activation, and shaken up the organisation of the policy sector to encourage coordination and single points of access to the system for all claimants; all characteristic reforms in the transition to an unemployment policy that is both more institutionally statist and explicitly market-supporting.

It is arguable that the relative ease with which British and Danish governments have been able to effect this transformation – a veritable 'clean sweep' across a number of interlocking policy dimensions - owes much to the fact that in both countries the state *always* retained considerable leverage over unemployment benefit policy, even when it operated on a more classic insurance basis. The broader context in which British unemployment policy operated was a welfare system characterised by Harris (1992: 116) as "one of the most uniform, centralised and bureaucratic and 'public' … in Europe, and indeed the modern world". Though unemployment insurance benefits were financed from a national insurance fund, this fund always had limited independence from the Treasury. Furthermore, following Beveridge's principle of integrated administration, unemployment benefit was always controlled by a central government agency without social partner or other civil society involvement. Though the contribution principle may have been discursively important in post-war British unemployment policy, it was therefore never buffered by supportive institutional mechanisms, and was always vulnerable to being revoked by the state when conditions seemed to require this (Clasen, 2001).

The institutional set-up of the Danish unemployment policy sector was traditionally less unambiguously state-dominated than the British, and this no doubt helps to explain why institutional change has in recent years advanced somewhat less rapidly there than in the UK. Specifically, the important role accorded to trade unions in the management of the voluntary 'Ghent system' of unemployment insurance has complicated coordination efforts, the unions being highly resistant to any reforms that would undermine the perceived link between union membership and benefit rights that acts as a powerful recruiting agent for them (Lind, 2004). For a number of reasons this has not diverted the direction of reform too substantially, however. Firstly, good relationships between the union movement and the social democratic party meant that the former could be encouraged to cooperate with many governmental reforms during the 1990s, when the social democrats were in office. More importantly, unemployment benefits in Denmark are around 80% tax financed and this, along with the broader context of a universalist welfare state tradition, gives the Danish state considerable legitimacy to steer unemployment policy reforms (Ploug, 2004). This emboldens governments less sympathetic to labour interests to advance reform agendas that the unions oppose, and diminishes the ability of the latter to mobilise support against such changes.

Embracing the more statist new unemployment policy paradigm has in short been relatively uncomplicated in Denmark and the UK, because in each of these countries state intervention was widely accepted and provided for in traditional unemployment benefit policy. The cases of Belgium, France and Germany remind us that this was not always the case, and show that where the autonomy of unemployment insurance from the state was more strongly institutionalised the transition to new unemployment policy paradigm has proved considerably more complicated.

Subsidiarity versus the market: the Belgian, French and German cases

Belgium, France and Germany are ‘Bismarckian’ or ‘conservative’ welfare states, and a guiding principle of such systems is subsidiarity (Van Kersbergen, 1995). In the realm of social insurance, the practical implication of the subsidiarity principle has been the retention of significant managerial and sometimes also policy responsibilities by private corporate actors, notably the trade unions and/or employers associations. This can be seen in the Belgian, French and German unemployment insurance systems, albeit in different ways (cf. Clegg, 2007). In Belgium, unemployment benefits are formally a Parliamentary prerogative, but they are administered largely by the trade unions in a compulsory variant of the Ghent system found in Denmark. In France trade unions and employers jointly regulate unemployment insurance through periodically renegotiated collective agreements, without there being any formal decision-making role for the state beyond validating (or otherwise) agreements reached by the social partners. In Germany, finally, unemployment benefits are a competence of the federal government, but managed through a tripartite institution in which the unions, employers and public authorities (Federal government, Länder and municipalities) are all represented. In each of these national cases the unwillingness or inability of successive governments to override the interests of private actors thus institutionalised in the governance of unemployment insurance has considerably complicated attempts to move resolutely towards a more market-conforming unemployment policy.

The social partners’ influence over unemployment insurance legislation has, firstly, pushed against the adoption of reforms that fully decouple benefit rights from individual contributory records. As core workers with long work histories tend to be both unions’ main constituency and the prime targets of employers’ strategies to shed high cost-low productivity workers, both sides of industry have an interest in gearing social protection systems first and foremost to the needs of labour market ‘insiders’ (cf. Ebbinghaus, 2006). Furthermore, in a context where the legitimacy of the social partners’ managerial role in social protection – which they value highly - derives essentially from the contributory nature of benefits, these actors have an obvious interest in reaffirming this, even if the price is a narrower definition of the risk that contributory benefits can cover.

In their role as joint decision makers for the unemployment insurance system, the French social partners have thus in the main coped with a context of consistently high unemployment since the early 1980s by linking benefit rights more, not less, closely to contributions (cf. Daniel, 2001). ‘Bad risks’ were transferred to a tax-financed ‘solidarity’ system separate from unemployment insurance in reforms adopted in the early 1980s, and the dualism of the unemployment benefit system has since been reaffirmed and even reinforced. In Germany, reforms in the 1980s and 1990s also tended to reduce the generosity of unemployment protection mainly for job starters and those with repeated spells of unemployment while simultaneously extending entitlement for core workers. Though the Hartz IV reform of 2004 reversed the latter trend by limiting insurance-based support to a maximum of 12 months, it has if anything widened the rights gap between the (now smaller) core of claimants in receipt of wage-based support and a (growing) periphery of those who must rely on means-tested assistance (Clasen, 2005). While Hartz IV certainly represented a quite radical change to German unemployment protection (Seeleib-Kaiser and Fleckenstein, 2007), the calibration – if not the extent - of reform had closer parallels with the French case (cf. Eichorst, 2007) than with the more homogenising logic of British and Danish unemployment benefit reforms.

Unemployment benefit reform has followed a somewhat different path in Belgium. The system has certainly been instrumentalised in ‘labour shedding’ policies, thanks to the vast and to date difficult-to-reverse expansion of early retirement pensions financed out of unemployment insurance revenues (Kuipers, 2006). But normal benefits have otherwise become much less differentiated by contribution and employment history, as a result of maximum benefits being allowed to stagnate relative to minimum benefits and of benefit rates increasingly being adjusted to assumed household need (Marx, 2007). The Belgian trade unions have, it seems, implicitly accepted sacrificing the wage-protection function of unemployment insurance benefits to safeguard the traditional absence of any limits on the duration of payments. This unique historical feature of the Belgian system prevents the vast majority of the unemployed from falling into social assistance, but in so doing also safeguards the income that the union-run benefit payment agencies can claim from the federal government for each unemployed individual receiving insurance benefits from them. In other words, though benefit reforms in Belgium seem more in line with the new unemployment policy paradigm than those in France or Germany, this is less because Belgian governments have proved more adept at overriding the interests of institutionalised actors than because the actors in place and their interests differ somewhat.

The state's limited capacity for regulatory intervention has had more similar policy effects in the three countries with respect to the closely related areas of activation and the organisational reform of the unemployment policy sector. Regarding the former, the unions' desire to prevent downward pressure on wages coupled with employers' reticence about destabilising existing complementarities between benefit regulations and collective bargaining arrangements has generally tended to act as a bulwark against the development of more negative activation policies. Positive forms of activation, such as greater short-term investment in training in search of (possible) longer-term savings, have for their part come up against the problem of the jealously guarded but always precarious fiscal autonomy of self-regulating unemployment insurance funds. More integrated financing and regulation of different labour market policies, meanwhile, has proved very difficult to reconcile with the institutionalised division of responsibilities between the state and private social actors. Indeed, to the extent that benefit reform has often involved drawing clearer distinctions between contributory (contribution-financed) and non-contributory (tax-financed) rights (see above), there are as many trends to further financial and managerial fragmentation as there are to integration (Clegg, 2007).

In France and Belgium governmental activation initiatives have accordingly largely concentrated on the assistance margins of the unemployment protection system, where the social partners have no institutionalised influence, and left the insurance core, where they do, relatively untouched. This is true in Belgium despite the fact that, due to the unlimited duration of unemployment benefits, most of the unemployed have been kept out of social assistance. The minimum income scheme (formerly Minimex, now *Revenu d'Integration Sociale*) has nonetheless been the site of most activation activity to date, and where explicit efforts to systematically link employment creation measures to benefit delivery have been most successful (Gilson and Glorieux, 2005). In France, too, the development of activation has followed a clearly selective path, with governmental employment measures being *de facto* targeted on groups excluded from unemployment insurance coverage (cf. Daniel and Tuchszirer, 1999), and contractual approaches to benefit policy being pioneered in schemes such as the *Revenu Minimum d'Insertion* social assistance. In both countries the activation logic has slowly 'worked up' to unemployment insurance since around the turn of the new millennium, but creating a coherent policy has to date been hampered by the difficulty of coordination problems between the unemployment insurance system and the state. The German situation is for its part a little different, given that the Federal Labour Office (BA) was always responsible for the financing of active as well as passive measures. The double effect of this situation was that measures were targeted on the insured unemployed, and tended to be strongly pro-cyclical (cf. Schmid *et al.*, 1992). The recent Hartz reforms carry the promise of targeting measures on the basis of individual rather than budgetary considerations, but also the risk – given the substantial gulf in perceptions of the appropriate treatment of the new 'unemployment benefit I' and 'unemployment benefit II' claimants that the legislation manifests – of exacerbating rather than undermining status-based distinctions in the quality of social rights (Ludwig-Mayerhofer, 2005: 104).

In both France and Belgium, the need for a more integrated approach to unemployment benefit and placement/employment policy has been recognised for a long time, but has yet to give rise to more than weak 'cooperation agreements' between the different institutional actors. This owes much to the perceived need not to encroach on the autonomy of the unemployment insurance institutions managed by the social partners (France) or the unions (Belgium), coupled with the unwillingness of governments to give these actors full control over the public employment service (De Lathouwer, 2004; Maire, 2005). That these actors may not operate fully in the public interest is thus recognised, but not sufficiently to justify their expulsion from their historic unemployment policy roles[4]. In Germany the situation is again somewhat different, given that the BA has long cumulated both placement and payment functions in unemployment policy. Recent reforms have however restructured the BA partly in an attempt to reduce the influence of the social partners, with at present uncertain success (Streeck and Trampusch, 2005: 186).

[4] The new French government has however recently unveiled a proposal for the 'fusion' of the public employment service and the unemployment insurance system. At the time of writing (October 2007), the extent to which this reform will undermine the autonomy of the social partners in unemployment insurance policy is unclear.

Differences between the cases notwithstanding, the important general point is that in all the participation of private actors in the regulation of unemployment insurance has acted as a brake on the smooth transition to a more market-supporting unemployment policy. By participating in its governance, private actors have developed a stake in classical insurance-based unemployment policy, and have been able to use their institutional position to defend it. This has not ruled market-conforming reforms out altogether, but ensured that they can develop only incrementally, in the gradually expanding interstices of pre-existing but increasingly stretched institutional arrangements (Clegg, 2007). A more coherent policy of recommodification, however, would seem to require the state assuming a far more central regulatory and steering role in unemployment protection than the subsidiarity principle has traditionally sanctioned.

A great transformation: the Dutch case

It is in this context that the Dutch case is particularly enlightening. On the one hand, the Netherlands is another welfare state that has conventionally been characterised as Bismarckian, at least with respect to the sectors like unemployment and disability that are covered by 'workers insurances' (cf. Kuipers, 2006). In the Netherlands, like in its three neighbours, the effective regulation of unemployment policy was accordingly long devolved in large part to the social partners, and the tradition of subsidiarity was very strong. And yet the Netherlands is, like Denmark and the UK, one of the European countries most often presented as having undergone a truly radical transformation in socio-economic policy generally, and unemployment policy specifically (e.g. Green-Pedersen *et al.*, 2001). Understanding how this was possible should tell us something more about the conditions for fundamental liberalising reforms in contemporary unemployment policy.

The Dutch reform trajectory in unemployment policy shows evidence of a marked change of direction in the early to mid 1990s (Clegg, 2007). Up to that point reform had followed a trajectory in which the institutionalised influence of the social partners was palpable. With respect to benefit reforms, this was clearest in the 1987 New Unemployment Insurance Act (NWW). Though the government had previously announced its intention to introduce a major ‘system reform’, NWW ultimately strongly reaffirmed the insurance character of unemployment benefits, notably by reducing the role of tax finance in unemployment insurance benefits and by linking benefit entitlement much more closely to employment record and particularly age. Following from and in part determining this, the reform also cemented the role of the social partners in the governance of the system (Boekraad 1998: 735). Subsequent reforms, however, have been notably more nuanced in their distributive logic. With the ‘Purple’ Lib-Lab coalition led by Wim Kok now in power, a 1995 reform did further tighten contributory eligibility requirements, but also extended rights to prolonged benefits for younger claimants and introduced a new short-time, flat-rate benefit within the insurance system for those who did not meet the new eligibility requirements for full benefit. A 2005 reform made unemployment benefit rights less dependent on the so-called ‘nominal’ work record – in fact an indirect measure of age – and thereby corrected some of the age-bias of the system.

Again initially following a trajectory similar to Belgium, France and Germany, activation approaches in Dutch benefit policy were also developed largely at the assistance margins of the unemployment protection system. Faced with the growing number of unemployed people receiving social assistance, the late 1980s saw the introduction of ‘reorientation interviews’ for the long term unemployed, organised around cooperation agreements between local social services departments and the placement offices of the national employment service (*ibid*: 756). The so-called ‘stimulating function’ of benefit administration was further reinforced by a new law on social assistance in 1989, and finally completed by the New National Assistance Act of 1996 which, in addition to simplifying and individualising benefit norms, imposed an explicitly contractual approach on assistance claimants directly inspired by the French RMI (Westerveld and Faber, 2005: 170). Finally, the Jobseekers Employment Act of 1997 created communal employment funds out of pre-existing special employment measures for the young and long-term unemployed, facilitating the more seamless and explicit linkage of the latter with the communally administered social assistance system.

If these activation initiatives were initially concentrated essentially on the assistance margins of the unemployment system, it was above all because the social partners used their governance role to prevent their developing at the system's insurance core. This was highlighted very explicitly by the report of a Parliamentary enquiry, under the chairmanship of the socialist Flip Buurmeijer, in 1993. The Buurmeijer Commission showed that, for all talk of the need for activation or 'volume policy' since the mid- to late-1980s, the reality of the development of the workers insurances had in fact been an 'inverted volume policy'. Regarding unemployment insurance, the commission highlighted that the bipartite industrial boards that managed the benefit had few contacts with the public employment service, and had done little to try to develop these. Though it emphasised the responsibility of legislation – and thus of state actors, the government and Parliament – for the passivity of the insurance system, it underlined that this was largely derivative of the considerable role in the shaping of social security policy that was exerted by the social partners, and the desire of successive governments not to encroach on the latters' terrain. While the responsible Ministers had occasionally put out signals arguing the need for a more activating approach, the Commission demonstrated that these had gone essentially unheard by the industrial boards (cf. Boekraad, 1998: 743-754).

The Commission would possibly never have been asked to report on the workers insurances managed by the social partners had it not been for the swelling caseload of disability benefit recipients in the Netherlands, which pointed more clearly than elsewhere to dysfunctions in their operation. The parallel existence of a state-managed system of national insurances perhaps also made social partner involvement in social security regulation and administration appear less inevitable in the Netherlands than in other national contexts. For whatever reason, the 1990s saw a serious attack on the principle of subsidiarity in social policy affairs, of which the Buurmeijer Commissions report was just the first act. In the years following its publication, there were a succession of new 'laws on the organisation of social insurances', in 1995, 1997 and 2000. The organisational reform path followed was complicated and in some ways confused (cf. Hemerijck, 2003: 253-255; Wierink, 2000), but in general demonstrated a growing willingness to no longer merely adapt unemployment insurance policy according to the institutionalised logic, but instead to challenge institutional logics that do not fit with political and policy objectives. This has opened the way to a major restructuring of the work-welfare interface, and consequentially to a general activation approach that goes far beyond with what was previously possible.

When in 1999 the social partners responded very critically to the government's proposal to try and further improve co-operations between the public Centres for Work and Income (CWI) and the UVI - which they clearly saw as a menace to their managerial autonomy in social security – the government did indeed withdraw its policy proposal. But instead of then falling into line with the social partners' preferred option of a complete privatisation of social security management, the government's new project in November 1999 opted "for an integral return to public competence in the administration of benefits and a considerable reduction in the role of the social partners" (Wierink, 2000: 33). Though the government conceded the social partners a policy-advisory role in a new Council for Work and Income, it otherwise rode out their protests at being evicted from a sector that they esteemed to be their 'property'.. The new organisational framework, with the public CWI at the centre as the point of access to all work and welfare services, was institutionalised in the 2001 law on 'implementation structures for work and income' (SUWI), which has effectively generalised the programmatic integration of employment policy and social security, and introduced the principle of obligatory profiling interviews for all of the unemployed (Hemerijck, 2003: 260).

It is probably fair to say that the Dutch welfare state reforms, including in the area of unemployment policy, remain open to a certain amount of misrepresentation in international debates. The theme of the consensual 'polder model' of revived corporatism and negotiated reform, with the 1982 Wassenaar agreement on wages and working hours as its epitome, came to dominate international debates, even though the works most often cited as supporting evidence (e.g. Visser and Hemerijck, 1997) tell at least a rather more complicated story across the Dutch political economy as a whole. Some have actually suggested that with respect to the reforms undertaken by the Kok governments in the mid-1990s, the emphasis on revived private interest government is just plain wrong; "foreign observers celebrated the very characteristics of the Dutch system that the purple coalition had consigned to the dustbin of history" (Hendriks, 2001: 37). In unemployment policy, a good case can be made that the institutional reforms that unfolded in the years following the Burmeijer report were more a case of the state intervening decisively to make the fateful changes necessary for the market to develop, rather as Polanyi analysed in his account of 'the great transformation' in 19th century England. In this respect the Dutch case also confirms better than perhaps any other the principal arguments of this chapter as a whole; current liberalising reforms in unemployment policy require more not less state activism, and the ability to effectively deploy state power is one of the key predictors of whether liberalisation will be fully and unequivocally embraced.

Conclusion

Uncomplicated narratives of welfare state transformation – such as the notion of a transition from welfare statism to liberalism – have unquestionable rhetorical appeal both for those who welcome contemporary changes and for those who deplore them. As this chapter has illustrated with reference to unemployment policies, however, such narratives often rely on a misremembering of the past and a misrepresentation of present trends. Close inspection reveals that in unemployment policy the heyday of welfare statism was in fact a time when the state often remained institutionally in the shadows, operating through the invisible hand of largely self-regulating social insurance arrangements. Inversely, though the public sector's share in the economy may today be shrinking, its retreat is in unemployment policy being marshalled and facilitated by far more explicit and obvious state interventionism than in the past. In unemployment policy the result is a certain dissonance in the logics of change at the level of institutions, on the one hand, and at the level of discourses and outcomes, on the other.

Recognition of this more complex reality, both historical and contemporary, has implications for how we explain the dynamics of ongoing welfare state transformations. For example, when Pierson (1994) argued that state capacity was "hardly relevant" to the retrenchment dynamics of benefit programmes, he arguably had both an overly restrictive understanding of retrenchment and a limited view of state capacity. Many of the reforms promoted in the new unemployment policy paradigm can fairly easily be equated to retrenchment, and for many of them state capacity *qua* enforcement power is, as shown above, clearly relevant. Furthermore, state capacity should also be understood to mean rather more than simple bureaucratic probity or 'bricks and mortar' issues, and expanded to include the institutional arrangements underpinning specific policy areas that can determine the legitimacy of the state to intervene in and direct reform at all. As described above, variations in such capacities have been crucial in explaining the unemployment policy reform paths taken in different European countries in recent years.

Understanding the dissonance of current trends across different levels can also help us to more fully understand the challenges that contemporary welfare state reformers face. For the reasons described above, unemployment policy reform often requires the state doing more so that it can do less, wrestling responsibilities from private actors so that it can impose more responsibility on private individuals. Though this course of action makes perfect sense intellectually, it is difficult to package in a political world where uncomplicated narratives understandably hold sway. Between simple reform discourses and the complex nature of the welfare state transformations underway there is a gulf that can be exploited by opponents of change and where incomprehension and resentment can develop as reforms are forced through. Recognising the complexity of contemporary welfare state transformations also helps us, therefore, tell richer stories about why these transformations are often difficult and usually politically risky.

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