CHAPTER 16

NATIONAL-REGIONAL-LOCAL SHIFTING GAMES IN MULTI-TIERED WELFARE STATES

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<b> Introduction

To deal with policy problems, decisionmakers must operate within a multilevel context, including regional and local levels of government, and the national public, as well as private actors (Tortola 2017; Trein et al. 2019). In such a context, cooperation and coordination across all levels of government are important for effective policymaking (Adam et al. 2019). Nevertheless, jurisdictions have incentives to behave opportunistically (Braun and Trein 2014) in order to exploit the collective action dilemma, for example, in competing for fiscal advantage (Rodden and Eskeland 2003; Rodden 2006; Gilardi and Wasserfallen 2019).

In multitiered welfare states (i.e. welfare states where the responsibility for various social programmes is shared across levels of government), urban social policy takes place at the lower levels – mostly within the municipalities and regions. However, decisions at this level are not taken in a vacuum. On the contrary, municipal and regional social policies are embedded within a wider range of rules and expectations that depend on higher levels of government. This results in a complex web of opportunities, constraints and incentives for those who steer policy at different levels of government. In this contribution, we discuss one of the most intractable problems generated by a multitiered structure within which urban social policies are embedded: cost shifting, which we outline in more detail below, occurs across programmes and levels of government. We examine this by focusing on a policy that is typically delegated to the municipal/regional level: social assistance. We are particularly interested in how the position of social assistance in multitiered welfare states impacts on policy decisions taken within the field of social assistance itself.

Over the last two to three decades, most Organisation for Economic Cooperation and Development (OECD) countries have witnessed an increase in their social assistance caseload (Clasen and Clegg 2011). This is due to a range of developments, including a profound transformation within the realm of work that leaves increasing large numbers of low skilled individuals out of jobs or in very precarious employment (DiPrete 2005); an increase in the incidence of new social risks, such as lone parenthood (Bonoli 2005), and increasing migration flows (OECD 2008).

Social assistance is generally a responsibility of sub-national units (Kazepov and Barberis 2013). This is the case in federal— but also in some unitary— countries. Historically, social assistance was based on traditional forms of social support to help poor individuals within local communities (e.g. parishes and municipalities). In many cases, such support predated the development of nation states. As a result, even in unitary countries like Sweden, social assistance tends to be run at the municipal level (more on this below). Of course, we will also see that this is the case also in most federal countries, like Switzerland, Germany and Austria. Interestingly, social assistance has also been developed at the subnational (regional) level in countries that have experienced devolution in more recent years, such as Spain, or until 2019, Italy (Natili 2018).

When confronted with a rise in their caseload, subnational units in a multitiered welfare state have a range of options. First, and perhaps most obviously, they can adopt policies that promote the return to work. However, this option has limited potential. Often rises in caseload are due to recession and/or structural economic change, for which little can be done at the local level. Second, subnational units responsible for social assistance can push for the national government to take over this function. Most other welfare programmes, such as unemployment or disability insurance, are currently run by central governments in virtually all OECD countries, including in highly decentralized federal states like Switzerland or the US. Why not transfer social assistance to the national level as well? Nationally unified social assistance systems would also make sense in terms of promoting labour mobility, avoiding welfare tourism, a race to the bottom in welfare standards and increasing equity. In sum, the case in favour of centralization seems rather strong.

Yet the constituent units of a multitiered welfare state may still have powerful reasons to oppose a transfer of responsibility for social assistance to national government. We claim that subunits in multitiered polities need to justify their existence and that they need to show their citizens that they matter in their lives. This is done by running policies at the subunit level that differ from those available in other parts of the country. In the absence of this capacity, subunits risk losing relevance in the eyes of citizens and in the political system as a whole.

All this means that, confronted with a sharp rise in social assistance caseload, the relevant subunits face a dilemma. On the one hand, they are likely to prefer to retain policy competence, but this will entail a constant struggle to balance their budgets. On the other hand, they could let go of social assistance, thus solving their budgetary problems. However, in so doing, they then face a serious risk in terms of remaining relevant as a level of government. In short, in the context discussed here, subunits face a predicament between losing relevance or possible bankruptcy.

Empirical research has shown that a practice known as "cost shifting" is an effective way to deal with this dilemma (Øverbye et al 2010; Bonoli and Trein 2016; Hassel and Schiller 2010a). This is the process whereby subunits shift costs upwards to the national level without letting go of the policy. How this may be done depends on the structure of individual welfare states and programmes. However, in most cases, the shift is performed by providing social assistance clients with temporary jobs that allow them to build an entitlement to national unemployment insurance. Alternatively, subunits can help social assistance clients with health problems in filing an application for a national incapacity of disability benefit programme, again transferring the financial burden to central government. Regardless of the method used, the effect of these interventions is a transfer of costs from the subunits to the national level.

Cost shifting can also occur in the opposite direction. The central government can decide to strengthen entitlement criteria to national programmes, reduce the value of benefits, or simply refrain from developing national solutions to the problem of long-term unemployment. In all such circumstances, the net result is most likely a transfer of costs from national government to the subnational units responsible for social assistance. We can thus distinguish between “upward cost shifting”, which takes place from the subnational units to the central government, and “downward cost shifting”, which takes the same route in the opposite direction. Upward cost shifting generally takes place within existing rules, whereas downward cost shifting is the result of changes in legislation (Bonoli and Trein 2016). The notion of cost shifting can be likened to the image of a “revolving door”, which emphasizes how clients can be moved across different programmes (Hassel and Schiller 2010a; Eichhorst et al 2011, p. 287)

In this chapter we present and discuss a model that aims to account for the way in which subnational units responsible for social assistance respond to large rises in caseload. By “large”, we mean a rise that has a substantial impact on the unit public finances and is potentially threatening its ability to avoid bankruptcy. The model is then illustrated with four empirical cases studies of responses to a sharp rise in social assistance caseload in four multitiered welfare states: Germany, Switzerland, Sweden and Spain. Our model hypothesizes that the response of the subnational units will depend on two dimensions: aspiration for relevance and the determination to retain fiscal autonomy. These two dimensions and how they are likely to impact on the units’ response are discussed next.

<b>Aspirations for relevance[1]

Multitiered welfare states, such as the ones we are examining in this chapter, exist in very different historical and institutional contexts. These contexts shape what we call "aspirations for relevance", which can be defined as the importance that being regarded as politically relevant and independent has for a given subnational unit. We expect the aspiration for relevance to be shaped by history and, more specifically, by institutional and ethno-national variables.

Historically, some of these multitiered polities are the result of the aggregation of formerly independent states. By pooling sovereignty and retaining identity, they could secure a common good, such as increasing collective security or a common market. These nations, like the US, are described as "coming together federations" (Stepan 1999). Examples of coming together federations examined in this chapter are Switzerland and Germany. In these countries, subnational governments (local and regional) have retained a significant level of sovereignty, i.e. real powers to decide and to act on public policy (Biela et al. 2012). Alternatively, multitiered polities also exist in unitary countries which have experienced devolution (Hooghe et al. 2016). These cases are referred to as "holding together federations" and include countries like Spain and Italy. Importantly for our argument, however, the powers to decide and to act on policies – and therefore the autonomy of subnational (local and regional) governments – are weaker than in coming together federations (Lijphart 1985, p. 4-5; Biela et al. 2012). In addition to the type of multitiered polity, we believe that ethno-national factors also play a role regarding the aspiration for relevance of a subnational unit (Béland and Lecours, 2005a; 2005b, p. 606; Erk and Anderson 2009). In this respect, we can distinguish between uninational and plurinational states. Uninational states are those in which ethno-territorial diversity is barely thematized in public policy, such as Germany or Sweden. In contrast, plurinational countries are those which are composed of different ethnic and or linguistic groups and where such ethno-linguistic cleavages overlap with the institutional subdivisions in place. In our sample, Switzerland and Spain can be considered as plurinational federations. We expect plurinational countries to have stronger aspiration for relevance, as in this case territorial divisions are more than simple administrative categories but reflect cultural identities.

In our model, we expect aspiration for relevance to be strongest in holding together federations and in plurinational countries. In this case, relevance is a must, since the units' existence enjoys only limited constitutional protection. In addition, the fact that subnational divisions reflect cleavages in identity arguably constitutes an additional factor pushing constituent units to choose relevance when taking important policy decisions. Policies that emphasize difference are likely to be vote winners in such contexts. In our four-country sample, Spain is the case that most closely reflects this configuration of variables.

At the opposite extreme, one finds coming together federations without significant ethnic and/or linguistic cleavages. In this case, being seen as relevant may be less relevant, given that the existence of the constituent units is strongly entrenched in history and in the constitution. In addition, the absence of ethnolinguistic cleavages reduces the appeal that policies emphasizing difference may have for vote seeking politicians. In our sample, Germany represents this end of the spectrum. The other two countries examined in this chapter, Switzerland and Sweden, are located somewhere between the two extremes of the aspiration for relevance dimension. Switzerland is a coming together federation, where the existence of the constituent units is strongly entrenched in institutions and in the national identity. As a result, there is no need for them to show relevance. However, Switzerland is a plurinational country, with strong ethnolinguistic cleavages that mostly overlap with institutional divisions. This creates some incentive for politicians to show difference. Finally, Sweden is the only non-federal country in our sample. However, its welfare state is clearly multitiered, with social assistance being run at the municipal level. In Sweden, we can expect that the aspiration for relevance of subnational governments is moderate. This is mainly because municipalities do not enjoy the same sovereignty as subnational governments and, therefore, politicians have less incentives and possibilities to retain policies at the municipal level (Hueglin and Fenna 2015).

<b>Fiscal autonomy[2]

The literature on fiscal federalism (Von Hagen 2000; Rodden and Eskeland 2003; 2006; Braun and Trein 2014; Foremny 2014; Ladner et al. 2015; Trein and Braun 2016) has recognized the existence of potential coordination problems amongst different jurisdictions due to the distribution of taxation and spending competencies. Economists and political scientists have argued that the larger the share of subnational government revenue that stems from their own taxes, the more responsibly they tend to act in relation to their own debt. If revenues must be created and accounted for within member states of a federation or its municipalities, politicians at lower levels of government anticipate electoral costs of large consolidation programs and avoid extensive fiscal profligacy due to the risk of being held accountable in future elections

(Oates 1972, 1985; Buchanan and Wagner 1977; Rodden 2006). On the other hand, where revenues of sub governments come mainly from transfers, or if central government is involved in setting the tax base and rates at the subnational and the municipal level, these governments are less likely to behave in a fiscally responsible way because they can easily shift the blame for over-borrowing over to the national government. What is more, they can expect bailout measures (Von Hagen et al. 2000). Empirical analyses have confirmed this argument repeatedly (Von Hagen et al. 2000; Rodden and Eskeland 2003; 2006; Braun and Trein 2014; Foremny 2014; Trein and Braun 2016).

Furthermore, we argue that the degree of subnational government's fiscal autonomy impacts on the extent to which there is policy shifting and cost shifting regarding the social assistance caseload. In countries with a clearly separated attribution of fiscal responsibility, where subnational governments mostly rely on their own taxes and cannot expect to be bailed-out by the federal government, incentives for cost shifting are high. As municipalities and states cannot shift the responsibility for their own budgets to the central government, they will try to shift cost-factors, such as clients in social assistance programs, to programs that are financed by another level of government. Similarly, it is possible that the national government tries to shift welfare clients to other levels of government in order to get them off its balance sheet. On the other hand, in countries where accountability for subnational budgets is shared between the central government and subnational units, actors have fewer incentives for cost shifting of clients in welfare programs that belong to other levels of government, because sub-national governments expect bailout by the national government in case of overspending. For subnational governments, it might even be attractive to have more clients on social assistance or other welfare programs in order to attract more grants from the federal government. Of course, the central government is more fiscally powerful than subordinate levels of government and therefore they will by nature have to take on the role of "payer of the last resort", for example in cases where municipalities cannot carry anymore the burden of costs for social assistance. However, the more financially independent subnational governments are, the less immediate the need for such an action, including possible bailout measures that the federal government would need to pay for and explain to the electorate (Bonoli and Trein 2016).

In Germany, subnational governments directly control only a very limited amount of fiscal resources, even though they manage a large share of the national debt and run into continuous deficits. By contrast, in Sweden, municipalities have a large share of their own taxes and face continuing deficits and debts. The situation is similar in Switzerland, where sub-governments retain high tax autonomy. What is more, they have to manage a rather large part of the national debt. Finally, in Italy, regional and local governments have minimal control over taxes and debt is managed mostly at the national level (cf. for tax autonomy of subnational governments: Blöchliger and Nettley 2015).

<b>Expected responses

As argued in the introduction, constituent units have a limited number of options when confronted with a major rise in their social assistance caseload. Assuming that the activation option, i.e. promoting return to the labour market, cannot deliver budgetary results on the scale needed to restore budget balance, they are effectively left with two options. Subunits can either try to transfer the policy to the national government (policy shifting), or keep the policy but shift the cost to national programmes (cost shifting). Table 16.1 summarizes our expectations on the basis of the model that we have developed in this chapter. In Germany there is little reason for constituent units, which are guaranteed their existence by the constitution, to stick to a costly policy. Moreover, given the lack of significant ethnoterritorial cleavages, this is unlikely to reward politicians at the polls. The fact that fiscal autonomy is limited means that there is less of an incentive to shift costs. By contrast, in Spain, where there tends to be a strong, historical aspiration for relevance, subnational governments are highly unlikely to let go of policy. As a result, cost shifting will, in all probability, be the preferred option. However, low fiscal autonomy means that cost shifting will probably be limited. We expect Swedish municipalities to have moderate aspiration for relevance. This, together with high fiscal autonomy, should generate incentives to transfer policy to the national level. This should be more limited than in Germany, however, because the autonomy of Swedish municipalities is not guaranteed as strongly as for the German *Länder* (regional governments of Germany) and because municipalities do not have the same level of sovereignty as “member states” in federal countries. Finally, in Switzerland, the combination of a strong aspiration for relevance, together with high fiscal autonomy, rules out the option of policy shifting, which makes cost shifting the only available option to restore budget balance.

Table 16.1: Title

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Source: Authors

<b>Comparative case studies

To illustrate our argument, we present four case studies that examine policy shifting and cost shifting in the four countries. The case studies draw on the analysis of policy documents and evaluations as well as on secondary literature. In the case studies, we present major reforms of social assistance and other social policies, such as unemployment insurances, that had consequences for subnational governments.

<c>Germany[3]

The multi-tiered structure of the German welfare state is a consequence of German federalism. Germany is an example of a federal country where the aspiration for relevance of subnational governments (*Länder*) is limited because the constitution grants them a strong role and protects the administrative autonomy of the municipalities. The autonomy of the Länder, and in particular the municipalities, extends to the sphere of policy implementation (Rudzio 2011). Subnational governments have few of their own taxes where they have high discretion over tax base and rate (Blöchliger and Nettley 2015). Between 1961 and 2004, the Länder and the municipalities determined payments and conditions of implementation federal law regulating social assistance in accordance with federal law (SGB I, SGB X) (Schmidt 2010: p. 730–731). Our research shows that in Germany, the response to rising social assistance caseload was – above all – a major policy shift. According to German post-World War II social policy system, claimants received at first regular unemployment benefits (*Arbeitslosengeld*), then supplementary unemployment benefits from the federal scheme (*Arbeitslosenhilfe*), and after that they were passed on to municipal social assistance. During the 1990s, the national government conducted reforms of the national unemployment scheme, which augmented cost-pressure on municipal social assistance. In 1993, the national government reduced benefits of the national unemployment insurance (Steffen 2015, p. 15) and decreased full eligibility for insurance benefits to one year. These reforms shifted costs to municipal governments (downward cost shifting) because claimants eventually had to turn to municipally financed social assistance. Furthermore, cuts in the federal expenditure on unemployment benefit increased the number of double claimants, i.e. individuals who receive social assistance benefits because payments from other social policy programs were insufficient (Hassel and Schiller 2010b, p. 108). Eventually, municipalities' expenses increased as they had to financially support nationally administered welfare-to-work programs for social assistance recipients (Hassel and Schiller 2010b, p. 103–105).

To react to these cost pressures, municipalities developed strategies to reduce the number of social assistance claimants on their balance sheets. Some cities, for example Düsseldorf, Frankfurt, Leipzig or Lübeck, created public job companies

(*Beschäftigungsgesellschaften*). These enterprises offered every social assistance recipient a one-year contract for a job that was subject to social insurance contributions. After one year, recipients were again eligible for federal unemployment benefits. In this way, municipalities shifted costs from social assistance to the nationally financed unemployment insurance (Hassel and Schiller 2010a, 174). Municipalities reduced, or even withdrew, their social assistance benefits, in cases where social assistance recipients declined to take a job that was offered to them (Feist and Schöb 1999). Estimates suggest that, in 2002, approximately 220,000 such jobs existed where the purpose was to place municipal social assistance recipients back in national schemes (Hassel and Schiller 2010a, p. 70). Interestingly, the *Länder* and the EU financed 50 percent of these public job companies. During the 1990s, upper levels of government reduced their payments to public job companies and therefore limited the possibility of upward cost shifting by the municipalities (Hassel and Schiller 2010a, p. 174).

The federal government also took measures to relieve municipal finances. For instance, it cut cash payments to asylum seekers (1993) and established a national long-term care insurance (1995) (Treutner 1998, p. 193). Nevertheless, these measures were insufficient to relieve municipal finances. To reduce high unemployment rates and to relieve the budgets of the municipalities, the federal government undertook other reforms. Initially it aimed to improve interagency collaboration, which it did by means of a large-scale pilot project on interagency collaboration known as the MoZArT (*Modellvorhaben zur Verbesserung der Zusammenarbeit von Arbeitsämtern und Trägern der Sozialhilfe*). The pilot lasted from 2001 and 2003 and entailed 30 local projects based on collaboration between municipalities and the federal employment agency (Champion 2013, p. 141; Hassel and Schiller 2010a, p. 192).

Nevertheless, in 2004 a major reform followed, which shifted competencies in social assistance to the national level. It was a package of measures, colloquially known as Hartz IV — named after the head of the reform commission, Peter Hartz. It entailed four laws and was passed in the German parliament between 2002 and 2004 (Knuth 2006, p. 160). Essentially, the reform contained a limitation on unemployment benefits and merged it with social assistance. After the reform, supplementary unemployment benefits (*Arbeitslosenhilfe)* and social assistance were merged; regulation and financing were transferred to the federal level with municipalities only remained in charge of implementation (Schmidt 2010, p. 730–731). Finances of municipal governments were relieved as the federal government took over the costs for the vast majority of social assistance recipients under the umbrella of the new ALG II (*Arbeitslosengeld II, i.e., "Hartz IV"*) scheme, except for parts of the accommodation costs and some ambulatory social services (Hassel and Schiller 2010b, 112).

The municipalities did not object to this reform and the shift of policy competencies. Nevertheless, they retained autonomy regarding the implementation of the reform. Some cities (about 100, known as *Optionskommunen*) preferred to implement social assistance policies as independently as possible from the federal government. After some conflicts with the federal government, they were allowed to establish their own *Job Centre-model* as an alternative to the joint municipal–federal employment agency model (Bandau and Dümig 2015; Jantz et al. 2015).

<c>Sweden

Sweden is different from the other three countries as it is not a (quasi)federation but a unitary state. This implies that there are no sovereign territorial governments and the legislative competencies are entirely at the national level. The 290 municipalities, however, have a high degree of discretion regarding the implementation of public policies (Gustafsson 1999). Nevertheless, the constitution allows the national parliament to define and restrict municipal authority (Bergmark and Minas 2007). Municipalities have to run a balanced budget and deficits are allowed only in exceptional circumstances (Svensk författningssamling 1991, 900). Cities have to undertake a series of measures, such as investment and hiring stops before the federal government can step in (Dahlberg and Rattsö 2010, p. 34-39). Municipal governments are in charge of implementing social assistance, but they have to do this against the backdrop of rather tight budgetary rules.

Our results suggest that there is some, but not much, policy shifting regarding social assistance in Sweden. Most importantly, the competencies for providing active labour market policies shifted gradually to the municipal levels of government during the 1990s (Bergmark et al. 2017, p. 551). Similar to other countries, in the early 1990s, the Swedish government aimed to increase the pressure on social assistance recipients to participate in labour market through activation measures. Once the national government decided, in 1994, that every individual under 25 should receive a placement offer from labour market programs, the pressure on municipalities to act increased. In 1995, municipalities received the responsibility for those under 20 who were unemployed, and in 1998, for 20-24-year olds. In addition, the 1998 revision of the Social

Service Act allowed municipalities to render participation in activation programs mandatory for 20-24-year olds and punish non-participation with benefit cuts. Therefore, municipalities' autonomy and discretion in policy implementation increased during the 1990s (Minas et al. 2012, p. 290-291; Minas et al. 2014, p. 12).

Nevertheless, at the same time, the national government introduced standards that required municipalities to harmonize their practices in the governance of social assistance and labour market activation policies. This measure restricted the autonomy of municipal governments regarding the implementation of social assistance policies, parallel to increasing their competencies (Minas et al. 2014, p. 12-13). In addition, it reduced the potential for municipalities to shift the cost of social assistance back to the central government and therefore to use the money elsewhere. Nevertheless, municipal governments gained and retained autonomy regarding the implementation of the social assistance and active labour market policies within the nationally set standards. For instance, they could decide to what extent they sanctioned non-participation in activation measures. Furthermore, Swedish municipalities had the option to choose their preferred organizational model, for example, they could decide whether they wanted to implement social assistance policies through the municipal services, by integrated municipal labour and social assistance units, and/or in cooperation with regional associations (Minas et al. 2014, p. 12-13; Bergmark et al. 2017, p. 551).

After 2005, there was some shifting of policy competencies back to the national level because evaluation reports demonstrated that the participation of young people in municipal social assistance programs had negative effects on their chances of obtaining a job. In 2007, the youth programs of the municipal governments were terminated and transferred back to the national Public Employment Service (PES). As a consequence, the possibilities for the municipalities to organize activation measures for the young were limited. In 2010, the national government also transferred the responsibility for the coordination of immigrant integration measures from the municipalities to the PES. Eventually, another indication for the shifting of competencies towards higher levels of government is the merger of the National Labour Market Board and the labour market boards at the county level, in 2008, which resulted in a loss of competencies regarding policy implementation for lower levels of government (Minas 2012, p. 204-205).

<c>Spain [4]

Spain is a historically strongly, centralized country that has turned to devolution in recent years. The trend towards decentralization started with the transition to democracy in the 1970s and continued. It also shifted to accommodate the plurinational character of the Spanish state. Today, Spain is made up of 17 autonomous communities (ACs) and is a clear case of a “holding together federation” in a strong plurinational context. ACs have gained increasing responsibility over the years and are now in charge of important services like health care. During the 1990s, all ACs introduced a minimum income scheme without having been forced by national law to do so (Moreno 2001). With regard to fiscal policy, Spanish ACs enjoy one of the highest levels of autonomy among OECD countries, with regard to both revenues and expenditures (Blöchliger and King 2006). However, their fiscal autonomy is limited by a range of constraints in the national law, such as the inability to run deficits (Blöchliger and King 2006, p. 28).

Spain was amongst the countries that were hit hardest by the post-2008 crisis. Employment losses were substantial. In the aftermath of the crisis, the caseload of social assistance recipients increased rapidly. Nationally, the proportion of households receiving social assistance rose from 0.7 per cent to around 1.5 per cent, with important variations across ACs (Cabrero et al. 2015). The ACs budgets suffered enormously from the crisis, and social budgets were cut significantly as part of the austerity package adopted in response to the crisis (Del Pino and Pavolini 2015).

One response to the crisis was the emergence of proposals to “nationalize” social assistance. This proposal came from the trade unions and was backed by a number of NGOs, such as the influential Caritas. Some political parties had this objective in their programme in the 2016 election, but the proposal was not implemented (Natili 2019, p. 125). The ACs did not back these plans. Instead, they engaged in various forms of cost shifting. For example, the subsidiary quality of regional minimum income programmes was strengthened. This means that, in order to prove eligibility, claimants must demonstrate that no other source of transfer income (e.g. national) is available to them. In addition, benefit levels have been set to exclude claimants who are entitled national labour market programmes (such as the plan PREPARA). Finally, there is also evidence that some ACs reacted to the rise in their caseload by providing temporary employment to clients, so as to give them entitlement to national unemployment insurance (Natili 2019; Bonoli et al. 2018).

Overall the Spanish story is one of the ACs being severely hit by an external shock that could have questioned their involvement in a suddenly expensive policy. However, rather than trying to pull out of it, their response has been to try to contain expenditure by shifting costs as much as possible to the national level. As implied by our model, faced with the trade-off between healthy budgets and political relevance, the Spanish regions tried to pursue both objectives by using upward cost shifting.

<c>Switzerland

Switzerland is a typical case of a federation where subnational governments strive for relevance and have high fiscal autonomy. Its member states, the cantons, were sovereign states, with their own institutions, currencies and armies (Kriesi and Trechsel 2008: p. 11). The cantons have played and continue to play an important role in shaping people's identities, as well as the linguistic divides (Switzerland has four national languages: German, French, Italian, and Rhaeto-Romance). About 80 per cent of the Swiss find that the municipal and the cantonal level matter most to their daily lives (Denters et al. 2014) and Switzerland ranks highest among 39 European countries according to the local autonomy index, an index that considers political discretion and financial autonomy of the local level (Ladner et al. 2015, p. 69) .

In today's Switzerland, the cantons retain almost exclusive competencies in many important policy areas, such as education, family policy, and social assistance. The cantons and the municipalities also enjoy a high degree of fiscal autonomy. They can set tax rates autonomously and must balance their budget without federal help. There is no rescue mechanism within the law for a bankrupt canton and, historically, there has never been a bail out. Fiscal autonomy is, as a result, very high.

Social assistance became a political issue in the early 1990s. Following the 1991-1993 recession, caseloads (and spending) increased sharply. Between 1990 and 2000, the number of clients doubled (Champion 2011). As a result, since the early 2010s, the problem of cost containment in social assistance is high on the agenda within the cantons and, increasingly, also at the federal level.

Like the German Länder, the Swiss cantons considered the federal government responsible for at least part of the rise in caseloads. In fact, reforms adopted in the main federal programs (unemployment and invalidity insurance) have restricted access to both schemes, with the result that a number of would-be-clients of these two programs are now forced to rely on cantonal social assistance. This practice of downward cost shifting is, to an extent, documented in longitudinal and caseload studies (Fluder et al. 2009; Salzgeber 2012, p. 64).

The cantons complained about the impact of cuts in federal programmes on their finances, but at the same time they too have played the cost shifting game (Bonoli and Trein 2016). There are several examples of cost shifting practices. One of them is the provision of contribution-paying jobs to social assistance clients for a limited period, so that they are then eligible again for another period of federal unemployment insurance (Conseil Fédéral 2008, p. 7046). This option has in principle been outlawed in 2009. In other instances, social assistance offices are known to support their clients' efforts to obtain a federal invalidity pension (Bonoli and Trein 2016, p. 610-612). These cost shifting practices were widespread during the 1990s and 2000s, but were seldom done in an open and transparent way.

In parallel, there have been calls for stronger federal involvement in social assistance policy, not so much from the cantons but more from social assistance administrators. The federal government has responded to such calls in a report published in 2015. The report argued that social assistance is a central pillar of the country's social security system, and that more uniformity is needed. However, it also argued that it is up to the cantons to find ways to better coordinate their systems and not up to the federal government to legislate in this field. The position of the federal government was also based on the consultation of the cantons who, through their peak-organization, opposed the transfer of the competence for social assistance to the federal level arguing on the basis of the subsidiarity principle (Conseil Fédéral 2015, p. 57).

Overall, the impression one gets when studying the Swiss case is that cantons are not trying to transfer social assistance to the federal level. However, faced with rising caseloads, they would like the federal government to play a bigger role in limiting the costs of social assistance, essentially by facilitating access to federal schemes. The former, of course, is difficult to obtain, and that is arguably why in the past the cantons have tried, through various channels, to contain their costs by shifting clients back to federal programs. Swiss cantons remain attached to social assistance and clearly oppose a federalization of the scheme (Conseil Fédéral 2015, p. 57). Their approach to solving the dilemma is to contain costs by trying to push clients onto federal programs.

<b>Conclusion

This chapter discussed the shifting games in multi-tiered welfare states, which is part of multilevel governance between the national, regional, and local levels of government (e.g. Maggetti and Trein 2019). In other words, we assessed how the interaction between different layers of government have affected the pressures to act and the policy decisions of municipal governments in the field of social assistance. We started from the insight that municipal governments do not operate independently, but depend highly upon the actions of higher levels of government when governing social assistance. Taking a comparative perspective, we argued that the way in which shifting games unfold varies between countries and the quality of the relations between the different tiers of government. We contend that, when forced to act because of an increase in social assistance caseloads, the combination of two explanatory factors is relevant to the reaction of subnational units: fiscal autonomy, notably tax autonomy of subnational governments, and their aspirations for relevance, which denotes the extent to which subnational levels of government want citizens to see them as autonomous of the national government and in charge of important policies.

We selected four countries that vary along these two dimensions: Germany, Sweden, Switzerland, and Spain; which allowed us to formulate different theoretical expectations for each of them. Germany combines a moderate aspiration for relevance, through subnational governments with low fiscal autonomy. Therefore, we expect policy shifting between levels of government, since subnational governments do not rely upon keeping the policy to demonstrate relevance. In addition, they have no incentive to shift the cost since their fiscal autonomy is limited and they can expect bailouts from higher levels of government if they run out of money. Sweden combines moderate aspiration for relevance with high fiscal autonomy. Thus, we expect limited policy shifting. In Spain, subnational governments have a high aspiration for relevance but low fiscal autonomy. Therefore, we expect no policy shifting and only limited cost shifting.

Finally, Switzerland combines high aspiration for relevance, through subnational governments with a high degree of fiscal autonomy. Against this background, we expected to find no policy shifting in Switzerland, but significant cost shifting activities.

The results of our analysis confirmed these expectations to some extent. In Germany, municipal and Länder governments did not object to a major policy shift in social assistance. In 2004, a major reform merged unemployment policy and social assistance and took policy competencies away from municipal governments. Nevertheless, municipalities retained autonomy concerning the implementation of the new social assistance benefits. In Sweden, there is indeed some evidence for limited policy shifting. During the 1990s, municipal governments received more and more competencies in the implementation of social assistance policy, especially competencies that allowed them to combine social assistance benefits with labour market activation measures for young people. Nevertheless, after 2005, they lost these competencies again because the federal government considered the measures of municipal governments unsuccessful. Concerning the Spanish case, we find some evidence for cost shifting. Despite the severe budgetary cuts in the wake of the 2007-2008 financial and economic crisis, the ACs refused to nationalize social assistance. Rather, they engaged in cost shifting measures, for example claimants needed to demonstrate that they are not eligible for national level benefits. In Switzerland, there is also evidence for cost-shifting. During the 1990s and 2000s, the cantons and municipalities devised different strategies to shift cost of social assistance back to federal programs. For example, they hired claimants on contribution paying jobs that meant they were then entitled to federal unemployment benefits, and in other cases assisted them in obtaining federal invalidity insurance benefits. Overall, our results suggest that subnational governments' aspiration for relevance and their fiscal autonomy explain whether they engage in cost- and/or policy shifting.

The theoretical lessons from this chapter need to be qualified and we need to consider their limitations. First, we should note that cost shifting occurs in different contexts. For example, in Germany during the 1990s, there is also evidence of cost-shifting, which eventually resulted in a large-scale reform of national policy, which is different than what we expected theoretically. The comparison of Spain and Switzerland suggests that cost shifting appears, regardless of subnational governments' financial autonomy, and depends mostly on aspirations for relevance. In the post-2008 period, Spanish ACs engaged in considerable cost shifting activities, which are difficult to distinguish from the Swiss case because they are not easily quantified. On the other hand, the Spanish ACs received new taxation competencies after the financial and economic crisis, which increased their incentives to maintain balanced budgets.

Second, there are other explanatory dimensions that are important. One is the presence of a federal political system, in which subnational territorial governments are important political actors. If this is not the case, such as in Sweden, the potential for cost-shifting is limited because the national government, which controls most social policy programs, can constrain municipalities easily. In federal countries, this is different. Here, municipalities can team up with the subnational governments in devising strategies that shift costs to the federal level, especially if the territorial governments are financially powerful. It is more difficult for the federal government to restrict the room to manoeuvre for municipal governments as the subnational governments are responsible for regulating municipalities and the federal government cannot easily override these competencies.

Finally, another explanatory dimension is the difference between policy formulation and policy implementation competencies. In Germany, municipal governments did not object to the centralization of social assistance regulation and benefit definition, but they wanted to maintain their competencies regarding the implementation of these policies. In the so-called *Optionskommunen*, municipalities implemented the provision of unemployment policies independently of the federal agency. Practitioners and scholars who engage with shifting games in multitiered welfare states should also consider these caveats when working with our theoretical propositions.

<c>Postscript: shifting games and policy responses to the COVID-19 crisis

The theoretical argument that we presented in this paper could also be used to explain how multitiered structure polities responded to the COVID-19 crisis. Our argument implies that in settings with high fiscal autonomy and high aspiration for relevance we should find cost-shifting, whereas in constellations with low fiscal autonomy and low aspiration of relevance, there should be policy shifting. At the time of writing (December 2020), it is obviously too early to draw firm conclusions about how these two factors impacted on shifting games during the policy response to the crisis. Nevertheless, we can draw the following, preliminary, conclusions. First, at the onset of the crisis when very little was known about the pandemic, national governments took the lead. This was the case in Switzerland, where the federal government used the Federal Law on

Epidemics to unilaterally impose a policy solution onto the entire country (Sager and Mavrot 2020). In Germany, where the formal responsibility for public health protection is with the *Länder* and municipalities, the federal government orchestrated a coordinated response. Only few *Länder* and municipalities objected to a coordinated national solution (Büthe et al. 2020).

During the second wave of the pandemic, we have observed an increased politicisation of the policy responses to the pandemic. In Switzerland, the federal government returned the responsibility for responding to the crisis to the cantons after the first wave. Once the caseload started to increase again in the autumn of 2020, the federal government only imposed some national measures once the hospital system was close to its limits. Cost shifting played a role in this political logic because if the federal government imposes measures on the cantons and municipalities unilaterally, it is very likely that it will have to pay the cost (Binswanger 2020; Schäfer 2020). In Germany, the *Länder* and the federal government coordinated the response to the second wave of the pandemic. In November 2020, the federal parliament revised the national law on infections. This reform did not shift policy responsibility towards the federal government.

Overall, we see some parallels between the effects we discussed in the main body of this chapter and the response to the pandemic. For instance, in both cases, joint decisions on where to locate responsibility depended also upon considerations of relevance and cost. Nevertheless, a full assessment should be carried out through future research. Such work should also include further case studies and take into account the lessons that governments draw from the crisis.

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[1] This section draws on Bonoli et al. (2018).
[2] This section is based on Bonoli and Trein (2016).
[3] This section draws on: (Bonoli and Trein 2016; Bonoli et al. 2018).
[4] This section draws on previous collaborative work done with Marcello Natili and published as Bonoli et al 2018