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Governments, Public Opinion, and Social Policy Change in Western Europe

Daniel Fernandes

Thesis submitted for assessment with a view to
obtaining the degree of Doctor of Political and Social Sciences
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Department of Political and Social Sciences

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Abstract

This dissertation investigates how public opinion and government partisanship affect social policy. It brings an innovative perspective that links the idea of democratic representation to debates about the welfare state. The general claim made here is that social policy is a function of public and government preferences. This claim hinges on two critical premises.

The first relates to the general mechanisms that underlie government representation. Politicians have electoral incentives to align their actions with what citizens want. They may respond to public opinion indirectly by updating their party agendas, which can serve as the basis for social policy decisions in case they get elected. They may also respond directly by introducing welfare reforms that react to shifts in public opinion during their mandates.

The second premise concerns how citizens and politicians structure their preferences over welfare. These preferences fall alongside two dimensions. First, general attitudes about how much should the state intervene in the economy to reduce inequality and promote economic well-being (*how much* policy). Second, the specific preferences about which social programmes should get better funding (*what kind* of policy).

The empirical analysis is split into three empirical chapters. Each explores different aspects of government representation in Western European welfare states.

The first empirical chapter (Chapter 4) asks how governments shape social policy when facing severe pressures to decrease spending. It argues that governments strategically reduce spending on programmes that offer less visible and indirect benefits, as they are less likely to trigger an electoral backlash. The experience of the Great Recession is consistent with this claim. Countries that faced the most challenging financial constraints cut down social investment and services. Except for Greece, they all preserved consumption schemes.

The second empirical chapter (Chapter 5) explores how public opinion affects government spending priorities in different welfare programmes. It expects government responsiveness to depend on public mood for more or less government activity and the most salient social issues at the time. Empirical evidence from old-age, healthcare and education issue-policy areas supports these claims. Higher policy mood and issue saliency is positively associated with increasing spending efforts. Public opinion does not appear to affect unemployment policies.

The third empirical chapter (Chapter 6) examines how party preferences affect spending priorities in unemployment programmes. It claims that preferences on economic intervention in the economy and welfare recalibration affect different components of unemployment policy. Evidence from the past 20 years bodes well with these expectations. The generosity of compensatory schemes depends on economic preferences. The left invests more than the right. The funding of active labour-market policies depends on both preference dimensions. Among conventional parties, their funding follows the same patterns as compensatory schemes. Among recalibration parties, parties across the economic spectrum present comparable spending patterns.

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Chapter 1

Introduction

In the early 2000s, in Germany, the coalition between the Social Democrats and the Greens (2002-2005) and later the grand coalition led by the Christian Democrats (2005-2009) put forth some of the most significant reforms to family policies. These governments introduced benefits for both parents, extended entitlements for all parents with young children and greatly expanded funding of childcare services (Seeleib-Kaiser, 2016: 225).

Family policy in Germany was hardly a novel idea at the time. First created by Kohl's centre-right coalition in the late 1980s, these programmes included a wide range of benefits linked to social contributions, from paid parental leave to subsidised childcare and credits for statutory pensions (Seeleib-Kaiser, 2016). Building on the foundations of Germany's conservative welfare state and its male-breadwinner family model, these policies aimed to support traditional families (Lewis, 1992).

They implicitly expected a division of labour within households: men would provide financial means while women would stay at home or expected to leave their jobs for childcare (Fleckenstein, 2011: 547). These guiding principles remained practically unchanged for two decades, even as Germany witnessed a substantial increase in women's participation in the labour market and diversification of family structures — with dual-income families and single-parent families becoming more and more common (Bonoli, 2007).

Importantly, the new reforms did not just extend benefits already in place. Instead, they completely remodelled the foundations of existing family programmes, broadening the benefits to more diversified families. Furthermore, they took the first step towards de-familiarisation of childcare provision, encouraging the participation of women – the traditional caregivers – in the labour market (Fleckenstein, 2011: 548).

Alongside new active labour-market policies, these reforms pushed a qualitative change in Germany's welfare state structures that at the time were thought to be particularly difficult to change (Seeleib-Kaiser & Fleckenstein, 2007). However, arguably the most intriguing part is that the Christian Democrats played a critical role in pushing these reforms after joining government in 2005. Note that the German centre-right were historically the most vehement defender of the conservative welfare state and its institutionalised family values (Fleckenstein, 2011).

Why do political parties promote a watershed change in welfare policies? What incentives motivate party elites to calibrate their stances on welfare policies? There is a vast body of scholarly work suggesting that parties calibrate their stances because of public opinion changes (Ezrow, 2007) and past electoral performances (Somer-Topcu, 2009).

The German reform mentioned above provides anecdotal evidence about this representation linkage. The Christian Democratic party responded to incentives to change welfare policies because of electoral losses among female voters over the two previous elections (Fleckenstein, 2011). Changes in family programmes functioned as a signalling mechanism for party elites to show their responsiveness to these constituencies. While this explanation is well documented in case studies (Fleckenstein, 2011), comparative research on welfare politics largely overlooks the linkage between public opinion, partisanship and policy change in welfare states.

This dissertation contributes to filling this gap. It considers social policy changes as a function of social policy preferences of citizens and governments. In doing so, it introduces a novel argument accounting for how citizens and politicians structure their welfare preferences around two distinct dimensions. The first dimension taps into general attitudes about the how much should states intervene in the economy to reduce inequality and improve the wellbeing of citizens. It approximately reflects the traditional left-right conflicts that have received most scholarly attention in comparative welfare state research (see Korpi, 1983; Pierson, 1996). The second dimension focuses on specific social policy preferences citizens and governments have. It builds on more recent work that finds heterogeneous preferences over welfare orientations and social policy among citizens (e.g. Häusermann et al., 2015; Garritzmann et al., 2018) and political parties (e.g. Rueda, 2006; Beramendi et al., 2015; Manow et al., 2018).

The rationale

This dissertation contributes to the literature on welfare politics and public opinion, offering an innovative perspective that links the two bodies of work. Historically, research on welfare state development leverages the idea of class conflict in democratic societies and their organisation in party systems to understand how and why parties create welfare policies (Stephens, 1979; Korpi, 1983; Esping-Andersen, 1990). Welfare state choices and changes have been chiefly perceived as the product of ideological choices of governments over time. As scholars put it, *parties matter*.

Social Democracy is argued to be the most enthusiastic proponent of redistributive, universal and service-based welfare policies (Esping-Andersen, 1990). Christian Democracy, in turn, played a significant role in the expansion of welfare policies despite favouring social insurance financed by social contributions (van Kersbergen, 1995). According to this account, the Christian Democrats in Germany were not expected to double down on the family policy reforms first introduced by the previous left-leaning government. This approach predicts that the centre-right would revert the reforms, bringing family policy closer to the male-breadwinner model.

Another influential contribution goes in the opposite direction, claiming that welfare states are resilient to substantial changes and that decision-makers have limited influence on policy (Pierson, 2011; Streeck & Thelen, 2005). Several reasons explain this diminishing role of partisanship. On the one hand, globalisation and fiscal pressures reduce the capacity governments have to pass significant expansions in benefits. On the other hand, policy commitments already in place create electoral incentives to keep delivering benefits as the vote of existing beneficiaries is often critical to keep them in power (Pierson, 1996). In addition, governments also need to deal with other actors that get a say in policy reforms, including opposition parties in parliament, other levels of government, and organised labour organisations (Mair, 2008; Jensen, 2011b).

If we consider the German anecdotal evidence above, their reforms continue to be counterintuitive in light of this perspective. Parties should have little incentives to pursue them, not least because they entailed significant changes in programmes already in place. Furthermore, they conflicted with the foundational principles of welfare institutions in Germany and benefited primarily non-*insider* labour-market groups. Then, how can these changes be explained?

Existing case studies suggest that Christian Democrats made a strategic decision to appeal to young women, which the party considered a critical group to go back to power after the electoral upsets of 1998 and 2002 against the centre-left and the greens (Fleckenstein, 2011). In other words, the conservative party changed their agenda on family policy and carried on with these reforms for office-seeking reasons.

Party stance calibration because of electoral motivations is a cornerstone of representation (Adams et al., 2004, 2005). There is a wealth of work springing from work on party behaviour and anticipatory representation in representative democracies (Strøm, 1990; Mansbridge, 2003). These concepts have also became highly influential in several fields including research on government responsiveness and economic voting (see Wlezien, 2020; Lewis-Beck & Stegmaier, 2000).

Pierson's contributions using party office-seeking notions have also become highly influential in the study of welfare politics. Nevertheless, the research tradition influenced by his work operates under the strong and not necessarily true assumption that voters wholeheartedly support welfare policies (see Giger & Nelson, 2013). For this reason, office-seeking party behaviour is commonly used to explain policy stability amid fiscal pressures to cut back on benefits (Seeleib-Kaiser & Fleckenstein, 2007). To explain policy change driven by office-seeking parties, what citizens (and politicians) want needs to be a moving piece in the puzzle.

More recent studies acknowledge this problem and bring back the focus to welfare preferences. They claim that labour-market and demographic shifts in advanced industrial economies shape the electoral bases of support of welfare policy (Häusermann et al., 2015). For their turn, these shifts are reflected on new programmatic agendas of political parties (Manow et al., 2018). This 'electoral turn' in welfare state research greatly contributes to the understanding the big trends of social policy change in recent times. Nevertheless, their usefulness in understanding change in a more dynamic manner is still constrained by their static view of public opinion and government partisanship. These studies link preferences to demographics and the labour-market position of citizens and to the ideological labels of parties (Häusermann et al., 2015; Döring & Schwander, 2015).

Indeed, these contributions can only partially explain the family policy reforms in the German case. The increasing participation of women in the labour market created new social needs for the de-familiarisation of childcare and for the expansion of parental benefits to nontraditional families. However, they cannot explain why it was Merkel – among all other chancellors – that pushed for these reforms after she got to power.

Some accounts have developed a more dynamic approach by bringing the insights of the work on government responsiveness to the welfare state literature (e.g. Brooks & Manza, 2006a; Abou-Chadi & Immergut, 2020). In principle, this approach could explain the timing of those reforms, given the findings of the case studies focused on the German case (Fleckenstein, 2011).

However, this kind of research within the welfare state tradition still remains mostly under-theorised. That is because most of the existing studies reproduce the general arguments about government representation on social policy in broad terms. As the recent advances in the scholarship highlight, the heterogenous social policy preferences among citizens and politicians is an important aspect that needs to be taken in account when exploring the dynamics of welfare politics. The argument developed in this thesis departs from this point.

The argument

This dissertation brings democratic representation to the forefront of debates about social policy change. The theoretical argument begins with the assumption that citizens and politicians have preferences over social policy. This brings us to a very subtle but seemingly important question: what makes democratic representation different in social policy compared to other policy areas?

On the surface, the dynamics of welfare politics should not be that different. After all, the idea that parties use office to enact their policy agendas and policies that citizens want appears to be perfectly plausible within the realm of welfare policy. This seems a perfectly reasonable approach considering that the development of welfare states emerged along the line of a structural conflict between social rights and taxation (Stephens, 1979; Korpi, 1983). Thus, in principle, looking at whether citizens prefer more or less government activity may offer a meaningful understanding of how government responsiveness works in the context of social policy. Indeed, some scholars attempt to do just that by bringing these ideas of democratic representation to welfare state research (e.g. Brooks & Manza, 2006a; Kenworthy, 2009; Abou-Chadi & Immergut, 2020).

Nevertheless, existing scholarship suggests that these dynamics may be a little more nuanced, at least in advanced industrial economies. If recent work is any indication, citizens and politicians have rather heterogeneous preferences over what they want in terms of welfare (Häusermann et al., 2015; Garritzmann et al., 2018; Ronchi, 2018).

This seems unsurprising given the scope of modern welfare states. After all, they include various policies, ranging from unemployment to healthcare and education. They have distinct and often unrelated purposes, from reducing poverty and protecting loss of income to facilitating work-life balance, integrating people into the labour market and improving their skills. Moreover, they target different parts of the population. Is it really plausible that individuals have similar attitudes towards raising early pensions for highly protected workers and expanding childcare services to benefit young couples just entering the labour market?

Of course, it would not be very theoretically interesting to map all the micro-preferences for every social policy. While this would be a good description of reality, it lacks the generalisability that helps us make sense of the welfare state across different contexts. For this reason, this thesis proposes a theoretical framework that structures social policy preferences along two critical dimensions. The first is about spending levels on welfare. The second focuses on which social programmes should be prioritised.

The structure

To test this argument, the remainder of this thesis is structured as follows. Chapter 2 outlines what we know about welfare politics. The chapter begins with a brief description of the macro trends of development of welfare states in Western Europe, from the *golden era* of the post-war period, to the *era of austerity* of the 1980s and the 1990s, leading up to the recalibration of welfare states in the twentieth-first century (see Pierson, 2001; Hemerijck, 2013).

It then reviews the literature on the politics of welfare state change, focusing on three theoretical approaches – the *old politics*, the *new politics* and the *new partisanship* literature. While these approaches were initially developed to explain the dynamics of distinct periods, they have one crucial aspect in common. They stress the role of voters and political parties in understanding welfare politics. This discussion helps us develop the premises that serve as the foundation for the rest of the thesis.

Chapter 3 shifts gears from theory to measurement. Specifically, it explores the vast body of research within the extant scholarship concerning how to capture change in welfare states. This so-called *dependent variable* problem is at the heart of protracted debates among scholars over two competing approaches: one that grasps change by looking at expenditure levels, and another that focuses on social rights (see Esping-Andersen, 1990; Allan & Scruggs, 2004; Clasen & Siegel, 2007).

The chapter argues that the former approach is better suited for the empirical analysis, as expenditure levels offer a convenient *medium* to quantify and compare various social programmes and countries with vastly distinct structures. Having argued for the use of expenditure data, the chapter then discusses the strategies that can be used to address some of their shortcomings already identified in these debates. Finally, it defines the measures used later in the analysis and offers a general descriptive outlook of the collected data.

Chapter 4 starts with the empirical analysis. It puts to test a critical precondition for the existence of a link between the electorate, governments, and social policy – whether political parties take into account electoral motivations when making social policy. Taking inspiration from the existing welfare research scholarship, this chapter asks a seemingly simple question: how do governments shape (popular) social policy when facing fiscal pressures to cut back on expenditure?

The argument departs from existing research by acknowledging differences in the profile of social programmes. From here, the chapter makes the case that parties in government strategically cut down on programmes that have fewer chances of triggering an electoral backlash. In this case, these would be social services and social investment as they offer less visible and indirect benefits, at least compared to conventional consumption policies based on individual cash transfers.

This argument is tested by looking at expenditure patterns in Western Europe before and during the Great Recession (2007-2013). The findings are consistent with these claims. Southern European countries, which endured more fiscal pressures during this period, witnessed substantial cuts in spending that disproportionally affected services and investment programmes.

Chapter 5 continues with the empirical analysis, testing how public opinion affects the spending priorities of governments across different welfare programmes. Drawing on the literature on government responsiveness (see Wlezien, 2020), it argues that office-seeking political parties shape social policy in reaction to what the electorate wants, in order to secure their chances of reelection. Going back to the theoretical premises, they should align their decisions in accordance with the mood of citizens for more or less government activity (*how much* social policy), as well as the specific social issues that draw their attention (*what kind* of social policy).

This argument is tested against spending patterns in Western European countries over the last 20 years in four distinct social issue-policy areas: unemployment, old-age, healthcare, and education. By and large, the findings appear to corroborate these claims. Governments seem to increase spending in programmes linked to social issues that citizens care about the most, but only when they prefer more government intervention in the economy.

Crucially, when their mood for government activity is lower, the salience of social issues does not seem to impact spending directions in a substantive manner. This pattern is consistent across all programmes included in the analysis except unemployment. This chapter claims that government responsiveness works differently in this issue-policy area because unemployment programmes benefits comparatively small and weakly organised constituencies. As they are less likely to affect election outcomes, governments have fewer incentives to follow public opinion in this case. In line with previous research, they are more likely to inform their policy decisions in accordance with their programmatic agendas (Jensen, 2012; Bandau & Ahrens, 2020).

Chapter 6 delves into this premise in more detail. This chapter revisits the theoretical premises to understand how parties structure their welfare agendas. Instead of relying on the left-right ideological scale – the standard procedure in extant comparative work –, it looks at these agendas along two dimensions. First, whether parties want more or less spending on unemployment (*how much* social policy). Second, whether these efforts should concentrate on protecting incomes after a job loss or reintegrate unemployed people into the labour market (*what kind* of social policy).

The analysis looks at how these welfare agendas affect the funding of conventional compensatory schemes and active labour-market policies (ALMPs). The evidence of Western European countries over the last twenty years suggests that these two dimensions are relevant to explaining the structure of unemployment programmes.

Political parties to the left tend to put more money on income replacement benefits regardeless of their prferences towards recalibration. Nevertheless, this second dimension is vital to understanding the developments of ALMPs. Among parties with conventional welfare attitudes, the left seems to invest more in ALMPs to reduce unemployment. This is the opposite among parties with recalibration orientations. In this case, the right appears to be more favourable to expanding these policies. Turning to human capital ALMPs, there is also an appreciable distinction among conventional parties. Again, the left puts more money into the development of these policies. However, when parties are more pro recalibration, this difference ceases to exist. Parties from the left and the right appear to invest moderately in these ALMPs, with no significant difference between both quadrants.

The contributions

This work extends existing comparative research on preferences and welfare state change. It deviates from the standard explanations of welfare state change, which mostly hinge on path-dependent effects, institutional contraints, and exogeneous economic pressures (see Pierson, 1996). Instead, it builds on more recent scholarship that turns the focus back to electoral politics (Beramendi et al., 2015; Manow et al., 2018). Importantly, the idea of heterogeneous social policy preferences that is the key contribution of these recent studies is embedded in the analysis. But this dissertation goes one step further by presenting a unique take on public opinion and government partisanship. Instead of relying on citizens' labour-market status and parties' ideological labels to infer their preferences, it measures them directly and in a dynamic time-variant manner.

This novel approach depict more adequately the political environment over welfare in advanced industrial democracies. Thus, it allows us to better understand change in welfare states that go beyond general structural trends. It can explain why these policy changes happen in a specific context at a given time.

The empirical evidence presented here bodes well with the argument developed above. First, the the politics behind policy decisions depend much on the specific characteristics of social programmes. Second, public opinion and government partisanship seem to affect their generosity. Third, this impact is not homogeneous across all programmes at the same time. Instead, it is centered around specific policies, depending on important social issues among the electorate and the programmatic agendas of incumbent parties.

The theoretical and empirical contributions of this thesis thus offer a strong foundation for future work on the welfare state development. By looking at the main political actors in advanced democracies – citizens and politicians – it opens new avenues of research to incorporate (dynamic) public opinion research in the welfare state literature.

One good way to further this research agenda is to extend this analysis in more policy areas of the welfare states. Family and children policy offers a particularly interesting opportunity in this regard as it is arguably one of the most important programmes to handle new social risks linked to new family structures and employment patterns of women (Bonoli, 2013). Indeed, case studies already suggest that the family policy reforms in the German case resulted from electoral considerations of the Christian Democratic party in response to new demands among young women (Fleckenstein, 2011).

This dissertation finds that the idea of democratic responsiveness is generalisable to different social policy areas and country contexts. However, it does not deal with family and children policy directly. Data availability is the culprit for this ommission within the context of this thesis. Existing survey data on most important issues and studies on programmatic agendas of political parties do not directly appraise family policy (see Krause et al., 2019; European Commission, 2020).

Another interesting avenue of research brings back political institutions to the analysis, by theorising about their effect on government responsiveness within the realm of welfare. The existing literature on welfare politics overwhelmingly agrees that institutions matter (Esping-Andersen, 1990; Pierson, 1994;

Manow et al., 2018). Recent studies even draw attention to how institutions may even play a critical role in shaping the impact of public opinion on welfare policy (e.g. Abou-Chadi & Immergut, 2020). Further research could incorporate the contributions of this thesis to gain a better understanding on how institutions interact with public opinion and partisanship to the timing of policy reforms, and not just long structural patterns of welfare policy change.

Each of these potential avenues of research underlines how much scholars can still learn about the link between citizens, governments, and social policy. In this respect, this disseration aims not to be a self-contained piece of work that deals with some interesting nuance of social policy-making. Rather, it lays the groundword for a thriving new body of research that improves our understanding of how public opinion and governments shape welfare in the twenty-first century.

Chapter 2

The politics of the welfare state: a literature review

The incorporation of masses in democratic politics during the twentieth century created demand-side pressures for the development of modern welfare states (Beveridge, 1942; Przeworski, 1986; Esping-Andersen, 1990). Perhaps unsurprisingly, the idea of a link between democratic representation and social policy was foundational to scholarship on the welfare state, even in its early stages (Hewitt, 1977; Korpi, 1983). This dissertation falls squarely within the same convention by developing a novel argument about how representation demands affect social policy change. This chapter starts with a review of the contributions of existing research to understanding welfare politics. Specifically, it looks into three theoretical approaches.

The first is the *old politics* approach, which focuses on the ideological positions of parties during the expansion of Western European welfare states. The second is the *new politics* approach, which emphasises the role of electoral pressures, policy commitments, and fiscal constraints in explaining change in mature welfare states. The third is the *new partisanship* literature, which juxtaposes ideological concerns with electoral realignments to understand conflicts over welfare provision in advanced industrial societies. This discussion aims to appraise the advancements and shortcomings of each strand to gain a better understanding of the dynamics of democratic representation in the realm of social policy.

Macro trends in the development of Western European welfare states

Welfare states are a network of governmental programmes and policies that aim to address the social needs of their citizens. In Western Europe, their foundations were primarily built during the decades following the end of the Second World War (Nullmeier & Kaufmann, 2010). This period witnessed a rapid expansion of social protection owing to the strength of labour organisations (Stephens, 1979).

The organisation of industrial economies has contributed significantly to empowering the labour movement. At the time, most of the workforce was employed in manufacturing. Production in these industries relies strongly on complementaries between semi-skilled and skilled labour in assembly lines

(Iversen & Soskice, 2015). These complementarities facilitated the construction of inclusive coalitions between the working and middle classes. Unions played a critical role in representing their interests in the political arena through collective bargaining. Among these interests were higher wages, job security and social protection (Hibbs Jr., 1977; Stephens, 1979).

Social protection safeguards workers and their families from unfavourable circumstances that cause loss of income. The prevailing social risks at the time were cyclical unemployment, sickness, invalidity, and old age (Bonoli, 2007). As the labour organisations fostered the mobilisation in the workforce, political parties representing their interests created welfare programmes meant to address these needs (Huber & Stephens, 2001).

The foundations of class compromise that assisted this initial construction of welfare states started to weaken by the 1970s (Beramendi et al., 2015). This decade witnessed the rapid acceleration of deindustrialisation, as the locus of economic activity increasingly moved away from manufacturing to services. Crucially, these processes fractured the production complementaries in the workforce. Skilled labour shifted to knowledge-intensive high-productivity services (e.g. finance, insurance, real estate, healthcare). For their part, low-skilled and semi-skilled workers shifted mostly to low-value-added services (e.g. retail, catering) (Ansell & Gingrich, 2013). This bifurcation in labour markets gradually eroded the political influence of organised labour (Iversen & Soskice, 2015).

These changes in domestic labour markets were accompanied by an acceleration of globalisation, reflected in the growing mobility of factors of production and increasing economic interdependence. Not only that, but the 1970s also saw two economic shocks that ended thirty years of uninterrupted growth. All these events accentuated the limits of government macroeconomic management of the economy (Taylor-Gooby, 2002; Levy, 2010). Consequently, they brought to the political discourse concerns about the strain of too much spending and taxation on growth and competitiveness (Pierson, 1994, 2001).

Post-industrial change thus appears to pose severe challenges to welfare states. However, they also introduced renewed demands for social policy due to the emergence of new social risks (Hemerijck, 2013). For one, structural unemployment and working poverty become increasingly prevalent (Swank, 2020). These risks are more likely to affect low-skilled and semi-skilled workers because of the lack of employment opportunities. As manufacturing jobs run in short supply, these cohorts either transition to poorly paying, unprotected jobs in the service sector or become unemployed (Ansell & Gingrich, 2013).

Furthermore, family commitments are now more likely to hamper the well-being of households. The culprit here is that economic well-being increasingly depends on two incomes (Hemerijck, 2013; OECD, 2021). Single-earner families are more likely to experience poverty than dual-earner families (OECD, 2021). In this context, women's entry into the labour market is critical to sustaining sound living standards in households. Reconciling work and family life thus becomes crucial, especially for women and young couples, to achieve economic independence and ease their full integration into the labour market (Esping-Andersen et al., 2002).

Social policy development in Western Europe echoed these structural changes in economies and societies. Before them, class alliances within the workforce fundamentally shaped welfare states. Governments then introduced several programmes that covered workers' relatively homogeneous social demands. These included protection against unemployment, old-age, sickness and disability (see Hemerijck, 2013). Admittedly Western European welfare states had different institutional arrangements, ideological principles and redistribution capacity (Esping-Andersen, 1990; van Kersbergen, 1995). Nevertheless, owning to those homogeneous preferences among the workforce, the dynamics of welfare politics hinged on class compromises between government intervention and levels of taxation (Korpi, 1983). In other words, these dynamics were about *how much* welfare.

Welfare politics in post-industrial economies are fundamentally different. Citizens have social needs that go beyond the traditional troubles that can cause them to lose their income, like unemployment or old age. In particular, the lack of opportunities or capacity to participate and thrive in the labour market is an increasingly prevalent concern. Conventional welfare programmes turn out to be suboptimal in responding to these new problems. They aim to protect individuals from the market and not to facilitate their integration into the labour market (Esping-Andersen et al., 2002).

Moreover, these new social risks do not affect all workforce equally. Instead, they are more likely to affect specific groups, such as less skilled people working in the service sector, women and young couples, the long-term unemployed and immigrants (Swank, 2020). These socioeconomic groups are distinct from the primary beneficiaries of conventional social programmes. The latter includes workers in manufacturing and other economic sectors traditionally protected by the welfare state, such as public employees (Häusermann et al., 2015).

Political representatives must then make difficult choices when making social policy. They should comply with existing policy commitments, reform existing programmes to tailor benefits to more diversified forms of work and family structures, and create new policies that address new social needs (Ronchi, 2018).

Additionally, conflicts between government intervention and taxation levels are still very much present in these political dynamics. These economic conflicts arguably gained even further traction as the political discourse around the welfare state started to include employment, growth and competitiveness as central concerns (Przeworski, 1986; Pierson, 2001). What is new about the dynamics of welfare politics in post-industrial economies is that the more heterogeneous demands among citizens open new lines of conflict about the *what kind* of social policy governments should prioritise.

These new patterns are crucial to understanding democratic representation and welfare. Welfare politics has become much more nuanced, as citizens and their representatives may have distinct preferences for different social policies. The remainder of this chapter discusses the most important contributions of scholarly paradigms that convey an electoral link – even if indirectly – between citizens and their representatives.

The major theories of welfare politics

The *old politics* school

The *old-politics* school explores the initial construction of welfare states during the post-war period. According to this literature, they are the product of class conflicts that emerged from the integration of working and middle classes in political life (Stephens, 1979; Korpi, 1983). These classes formed broad coalitions with strong interests in social protection. They conveyed these interests in the political arena through labour organisations and pro-welfare political parties, most notably the Social Democrats (Hibbs Jr., 1977; Esping-Andersen, 1985). Once in government, these parties forged class compromises that resulted in the building of modern welfare states (Esping-Andersen, 1990).

Scholars of this research tradition thus consider indirect representation a critical part of the development of welfare states. The electoral influence of the labour movement affects who gets elected, which, in turn, shapes social policy (Hicks & Swank, 1992). The impact of government ideology on their generosity and structures is well documented in this body of research, mainly in cross-country comparisons.

Social Democratic parties are considered the most enthusiastic supporters of redistributive, universal and service-based welfare policies Esping-Andersen (1990). These parties played a pivotal role in the development of Nordic welfare states. Their political strength hinged on a broad coalition between unioned workers and farmers, together with strong and coordinated labour organisations (Manow et al., 2018). Social policies in these countries were developed based on egalitarian principles. Social rights are linked to citizenship and financed through general taxation. Their welfare states thus achieve high levels of redistribution between social groups (Korpi & Palme, 1998; Esping-Andersen, 1999).

Christian Democratic parties also have a significant role in welfare policy, favouring mandatory social insurance over public benefits (van Kersbergen, 1995). They were particularly influential in Continental Europe, given the presence of a religious cleavage and corporatist arrangements of collective bargaining (Esping-Andersen, 1990). Social protection programmes in these countries are traditionally very generous, although with lower levels of redistribution than their Nordic counterparts. Their main goal is to promote temporal distribution based on income protection insurance financed through social contributions (Manow et al., 2018). Benefits are negotiated through collective bargaining and mediated by the government. Social rights thus depend on the labour status of workers, which maintains labour-market stratification (van Kersbergen, 1995).

Christian Democracy was also crucial in Southern European welfare states. Their influence here stemmed from the centre-left's limited strength, which needed to deal with powerful communist parties, fragmented and conflictual industrial relations and restricted tax bases (Rhodes, 1996). These countries also rely heavily on compensatory schemes. Benefits vary between economic sectors (Bonoli, 1997). However, the fragmented nature of industrial relations creates significant disparities in access to social benefits. Occupations linked to powerful interest groups – such as industrial workers and public employees – enjoy highly protected jobs and generous benefits. Social protection outside these core economic sectors is very much underdeveloped, creating strongly dualised labour markets (Ferrera, 1996).

Conservative and liberal parties – representing the interests of upper-middle classes and employers – are proponents of more modest welfare states. They were particularly influential in the Anglo-Saxonic world due to their disconnected structures of interest group organisation and the coalition potential between middle and upper classes in two-party majoritarian electoral systems (Esping-Andersen, 1990; Iversen & Soskice, 2006). Benefits in these countries are primarily targeted at lower-income groups to protect individuals against poverty (Bonoli, 2013). Social policies focus on labour-market re-entry to avoid moral hazard problems that can arguably affect means-based policies (Deeming & Smyth, 2014). Individuals typically rely on the market for pension insurance, education financing and social services (Manow et al., 2018).

Shortcomings

The *old-politics* school made tremendous strides in understanding the initial expansion of welfare states in industrial economies. Nevertheless, this body of research also presents several limitations when analysing social policy change through the lens of democratic politics.

The first limitation is that this research has a narrow focus on protection schemes. Empirical studies look mostly into social protection aggregates, pensions, unemployment, sickness and disability. Scholarly interest in other policy areas within the welfare state is relatively scant.

This oversight has implications for welfare politics after the foundations of class compromise that assisted their construction weakened. The specific mechanisms of interest representation and the ideological mapping of political parties identified in this literature are specific to the particular socioeconomic context of the post-war period. In their turn, welfare politics now combines diversified electorates with distinct social needs and policy preferences (see Bonoli, 2007). Policies like education, training and family services have become particularly important in this new background (Taylor-Gooby, 2004).

The second problem relates to how the literature portrays political parties as purely policy-seeking organisations. This view leads to a theoretical focus on partisanship and its cumulative effect on structural variations between different countries. This agenda proved crucial in the early stages of scholarship to make sense of the cross-national variations, which ultimately resulted in very insightful typologies of welfare states (see Esping-Andersen, 1990; Ferrera, 1996).

Nevertheless, scholars typically overlook how office-seeking incentives explain welfare change. This is somewhat surprising given that electoral motivations are often regarded as the cornerstone of political representation (Adams et al., 2004; Strøm, 1990). Indeed, there is a wealth of evidence suggesting these motivations affect government policy choices more generally (Burstein, 2003; Wlezien, 2020) and also in social policy (e.g. Brooks & Manza, 2006a; Abou-Chadi & Immergut, 2020).

Moreover, these considerations are the driving mechanisms behind direct government responsiveness. Political parties must actively listen to what citizens want throughout their mandates in anticipation of the next election (Stimson et al., 1995). Thus, this research is particularly tailored to understand the development of the ideological roots and the institutional basis of welfare states. However, it is ill-equipped to understand social policy change at a more dynamic level.

The *new politics* school

The *new politics* school is another of the foundational theories of politics of welfare states. This body of research explains why welfare states become resistant to change after their first initial phase of construction. Their scholars argue that the creation of social policies changes the preferences and expectations of citizens (Häusermann et al., 2013). They develop vested interests in supporting social programmes, as they stand to benefit from them (Pierson, 1996). Crucially, welfare beneficiaries comprise large segments of the electorate, thus often becoming vital for the electoral fortunes of politicians. Moreover, they form strong interest groups that help secure their interests when governments engage in welfare reforms (Pierson, 1994).

This literature also brings one crucial theoretical contribution to comparative welfare research. It sees politicians as primarily office-oriented when making policy decisions. This view departs from early studies on welfare that look at parties as policy-seeking organisations.

These scholars claim that politicians must make tough choices when making social policy. On the one hand, they need to consider the sustainability of social programmes and the potential economic costs of taxation. On the other hand, they need to cater to the interests of the constituencies who benefit from welfare, that are well organised in unions and are often electorally crucial for the fate of political parties (Pierson, 1996).

According to this view, politicians are especially conscious of these electoral groups' leverage. This is because cuts in social spending entail highly-visible losses that concentrate on these well-organised constituencies. The potential benefits of cutbacks, at the same time, are typically dispersed across a less politically coordinated electorate and often only perceived in the long-run (Pierson, 2001; Giger & Nelson, 2011).

In light of this argument, this literature makes two general empirical claims. First, welfare states are difficult to change. Second, parties in power have limited room for manoeuvre to change social policy. In short, this school predicts policy stability as the norm of mature welfare states.

Reform decisions are limited in scope and primarily an exercise of blame avoidance (Weaver, 1986). Electorally motivated politicians should only pursue them if the prospects of electoral repercussions are small (Pierson, 1994). They identify different mechanisms that allow governments to insulate themselves from electoral risks.

Some focus on the rollout of the reforms. Governments who manage them over time with small cumulative changes are more likely to have better electoral prospects than those who introduce large-scale adjustments all in one go (Streeck & Thelen, 2005; Armingeon & Giger, 2008).

Other authors emphasise the importance of the justification of the reforms. Governments can potentially garner electoral benefits with cutbacks if they focus the attention of debates on restoring economic growth (Green-Pedersen, 2002; Elmelund-Præstekær & Klitgaard, 2012; Schumacher, 2012).

Others even highlight the effect of institutional contexts that blur the clarity of political responsibility. Their findings point out that governments respond to fiscal pressures more readily in institutionally fragmented systems (Jensen & Mortensen, 2014) and in the absence of information intermediaries that communicate government decisions to voters (Immergut & Abou-Chadi, 2014).

Governments must deal with economic and financial pressures on the one side and policy commitments on the other (Starke, 2006). The limited options to reform social policy implies a diminishing role of partisan differences in governmental welfare decisions (Pierson, 1996). Contrary to the previous claim, the role of government partisanship in social policy is still a contested issue (see Döring & Schwander, 2015).

Extant studies find that aggregated social spending has become increasingly similar under governments on the left and the right since the 1980s (Huber & Stephens, 2001, 2014; Kittel & Obinger, 2003). Nevertheless, spending on individual programmes suggests a different picture. On the one hand, the composition of governments bears little importance to spending levels on pensions and healthcare. But it does so in unemployment, as this programme targets low-income groups who tend to be a relatively small and not well-organised part of the electorate (Green-Pedersen, 2002; Jensen, 2012; Wolf et al., 2014). In these cases, right-wing governments are found to be more likely to engage in cutbacks than left-wing governments.

Other studies have also found considerable partisan differences when looking at replacement rates, entitlements, and enacted laws (Korpi & Palme, 2003; Allan & Scruggs, 2004; Klitgaard & Elmelund-

Præstekær, 2013). Their findings are consistent with the conventional understanding of the left-right ideological spectrum. In response to emerging challenges, incumbent parties on the left advance policies more supportive of welfare than those on the right (Amable et al., 2006).

Shortcomings

The *new politics* school has three significant shortcomings in understanding welfare politics. The first limitation is that it makes strong assumptions about citizen preferences over social policy. Specifically, scholars assume that citizens wholeheartedly support the welfare state. While citizens seem to support welfare principles in general (Gelissen, 2000; Blekesaune, 2007; Jæger, 2006, 2009), they may have other concerns when casting their ballots.

Economic conditions also seem to weight on their voting decisions (Powell Jr & Whitten, 1993; Anderson, 2000; Lewis-Beck & Stegmaier, 2000; van der Brug et al., 2007). In addition, individuals generally concede that social spending bears economic costs to a varying degree (Blekesaune, 2007; Giger & Nelson, 2013). Taken together, this suggests that the electoral fortunes may depend not only on blame avoidance strategies but also on the priorities of the electorate on the election day (Giger & Nelson, 2013; Vis, 2016).

This strong assumption has important implications when exploring democratic representation and welfare. By presenting immutable preferences among citizens, this approach is well equipped to explain policy stability. However, they leave out one critical aspect that has been consistently found to affect policy change – changes in public opinion and partisan preferences (Adams et al., 2005; Ezrow, 2007; Wlezien, 2020). To explain policy change, what citizens and politicians want needs to be a moving piece in the puzzle.

The second limitation concerns the narrow focus of this literature on conventional welfare programmes, much like the *old-politics* school. Empirical studies look into aggregated social spending, unemployment, disability, old-age and healthcare (Gilbert, 2002). For the most part, they overlook education, training and family policies, as well as social services (Esping-Andersen et al., 2002; Bonoli, 2013; Hemerijck, 2013, 2017).

This shortcoming is even more problematic in these studies because they explore welfare state dynamics after the onset of post-industrial changes. As this chapter discussed previously, these new policies are the main drivers of policy change and innovation in recent decades (Armingeon & Bonoli, 2007). By focusing on conventional policies that already respond pretty well to old-social risks, the empirical evidence may overestimate the stability of welfare states.

The final limitation is that this scholarship relies on conventional and static concepts of party ideology. This approach implies that parties do not change their programmatic priorities over time and have comparable orientations to parties with similar labels in other countries (Döring & Schwander, 2015).

This measurement problem prevents assessing how parties respond to shifts in public opinion in their programmatic orientations – the basis of indirect government representation.

Again, this problem is even more pressing in post-industrial societies for two reasons. For one, western European democracies witnessed a profound shift in the electoral bases and lines of political competition over the last four decades (Kitschelt, 1994; Beramendi et al., 2015). Additionally, the party dynamics over welfare changed considerably, as citizens developed more diversified and not necessarily compatible preferences for social policy (Manow et al., 2018).

This structural reconfiguration of the dynamics of welfare politics has turned the attention of a new group of scholars. They have collectively formed a third scholarly paradigm in current welfare research that goes with the name of *new partisanship*.

The *new partisanship* literature

The *new partisanship* scholarship focuses on structural transformations in the political landscape of advanced industrial democracies to explore recent developments in their welfare states. This literature starts with the premise that appreciable changes in post-industrial economies are the driving force behind a fundamental recasting of electoral alignments along two cross-cutting dimensions of political conflict, one economic and one sociocultural (Wren, 2013; Beramendi et al., 2015; Manow et al., 2018). This electoral realignment translates into a profound reconfiguration of western European party systems. Social Democrats and Christian Democrats overhaul their platforms along the two dimensions, while green-libertarian and far-right nationalist parties break into national parliaments (Kitschelt, 1994; Kitschelt & Rehm, 2015).

On top of that, the changes in labour markets hastened by the post-industrial revolution changed the electoral bases of support for welfare states. Here lies the key to understanding the new lines of political conflict for social policy. As citizens experience different social needs, they develop strikingly different preferences about the areas and guiding principles governments should prioritise when making social policy. Following this research, the coalitions for welfare state support can be roughly split into three distinct groups.

The traditional welfare constituencies working in manufacturing and other protected sectors (such as public employment) are primarily interested in maintaining employment and social protection (Swank, 2020). They appear more oriented towards equivalence principles, i.e. they tend to support the view that those who contribute more should be entitled to higher benefits (Häusermann et al., 2015). They are also either indifferent or against activating labour-market policies as they increase labour supply and thus create more job competition (Rueda, 2006).

Low-skill and semi-skilled individuals in more vulnerable positions, either unemployed or working in low-productivity jobs in the service, are more likely to favour redistributive social policies (Häusermann et al., 2015). They are mostly interested in income protection, policies that facilitate employment and retraining opportunities to promote their participation in the labour market (Iversen & Soskice, 2015; Rueda et al., 2015; Afonso & Rennwald, 2018).

The new middle classes, disproportionally better educated and composed of younger people and women, also favour redistribution (Häusermann et al., 2015). They support redistributive policies as they find themselves susceptible to lack of employment protection and work-family predicaments (Hemerijck, 2013). They also hold favourable views on employment-friendly policies, education and training, and family services (Häusermann et al., 2015; Garritzmann et al., 2018).

These new electoral bases increasingly pressure the leading architects of the welfare states, the Social Democrats and Christian Democrats, to recalibrate their social policy agendas. In itself, this bears significant challenges to the parties as changing programmatic priorities entails high reputation costs, especially among their traditional electoral constituencies. Notwithstanding, they are pressed to do so while dealing with increasing political competition from new party competitors (Kitschelt, 1994; Keman et al., 2007).

In light of these challenges, the new partisanship literature argues that the new welfare agendas of political parties depend not only on the electoral realignment but also on the dynamics of partisan competition (Manow et al., 2018; Abou-Chadi & Immergut, 2019). Generally, the Social Democratic parties have kept their redistributive orientations on social programmes. Still, their programmatic agendas increasingly seem to prioritise investment in social services and training programmes (Hemerijck, 2013; Huber & Stephens, 2014; Fossati, 2018). Their attitudes towards the more liberal investment-based programmes are even more robust in countries where Social Democracy faces intense competition from the far-right for the working class. These strengthened priorities are meant to encourage the mobilisation of new middle-class constituencies that favour these types of policies (Häusermann, 2018; Abou-Chadi & Immergut, 2019).

The Christian Democratic parties continue to prioritise equivalence-oriented social insurance benefits even if they become more open to public-run social programmes (Morgan, 2018). They also have a new focus on employment-oriented policies. However, their strategies in this area also depend much on party competition. In the presence of powerful far-right parties, Christian Democrats are found to appeal to *insiders* by expanding social insurance benefits and pushing activating policies with a focus on incentivising labour-market re-entry (Schwander, 2018; Abou-Chadi & Immergut, 2019). However, in the absence of strong competitors to their right, Christian Democrats appear to take a more assertive approach to social investment, especially in providing family services and human capital investment to compete with the centre-left (Kitschelt & Rehm, 2015; Seeleib-Kaiser, 2016; Schwander, 2018).

Shortcomings

This second paradigm of comparative welfare politics research makes significant strides in understanding how the post-industrial transition affects the citizen preferences and partisan agendas on welfare. Nevertheless, this literature also presents two limitations.

First, it puts preference formation entirely on the socioeconomic characteristics of different cohorts. The labour market position of individuals can only do so much in understanding how voters cast their ballots in elections. The decisions at the ballot box depend greatly on voters' specific social and economic issues that go beyond egotropic reasons. Nevertheless, contrary to more or less durable welfare attitudes, the issues voters prioritise change quite regularly over time depending on the social strains that individuals, their households, and their countries face (Dalton, 1996).

Going back to sociological roots, the new partisanship literature establishes an indirect link between voters and governments over welfare. To this body of research, political parties update their welfare agendas to position themselves better in a fundamentally changing electoral landscape. However, absent in the literature is the theoretical expectation that parties in government might as well reform social policy to respond to the more immediate electoral pressures that stem from often conflicting social issues that direct voters' attention.

If the remarks on the *new politics* school show, this link is vital to explaining policy decisions. Additionally, evidence from public opinion studies in government policy more generally (Burstein, 2003; Wlezien & Soroka, 2012; Wlezien, 2020) and welfare policy (Brooks & Manza, 2006a; Raven et al., 2011; Abou-Chadi & Immergut, 2020) suggest that these factors are critical to understanding government responsiveness and policy change.

The thesis starts from this point. By bridging the contributions of welfare politics literature and public opinion studies, it explores how the interplay between an attentive electorate and electorally motivated politicians affects welfare change in advanced industrial democracies. The following section discusses the building blocks that guide the theoretical foundations of this work.

Democratic representation and social policy change

This dissertation brings democratic representation to the forefront of debates about welfare change. This argument hinges on the idea that political parties are office-seeking. Their electoral motivations encourage them to calibrate social policy decisions based on public opinion changes (Ezrow, 2007) and past electoral results (Somer-Topcu, 2009).

This argument is hardly novel in the literature. The *new politics* school introduced the idea that parties have electoral motivations to keep delivering popular social policies for their constituents while avoiding unpopular policies that may endanger their reelection (Pierson, 1996). However, this thesis departs from this literature by dropping the assumption that voters systematically support the welfare state.

Instead, it argues that citizens may have varying attitudes towards the welfare state (see Giger & Nelson, 2013). Importantly, these preferences go beyond general attitudes about the role of governments in intervening in the economy to reduce inequality and promote economic well-being. Citizens can have different preferences for distinct social programmes and their guiding principles. For instance, some citizens may be keener on investing in human capital through education and family services. Others may prefer more benefits for pensioners. Others may want to reduce poverty through unemployment and other means-based policies.

In line with the *old politics* school and *new partisanship* literature, these preferences can be the result of their socioeconomic, labour market position and the social needs that affect them and their households the most (see Giger & Nelson, 2013; Armingeon & Bonoli, 2007). Notwithstanding, they may also stem from short-term issue opinions that affect individuals at any moment. For this reason, citizen preferences can fluctuate over time and be more volatile than structural sociodemographic characteristics suggest (Dalton, 1996).

By measuring citizen preferences directly, this dissertation can afford to leave apart the question of how they form. This is a strategic focus because the main theoretical interests are about how preferences affect policy decisions through government representation.

Parties in government should have electoral incentives to make social policy that attunes to what voters want. But that does not mean that electorally motivated decisions are about grand reforms that follow shifts in the general welfare principles of the electorate. Instead, political parties should make decisions that respond to the particular issues that direct the attention of voters at any given time (see Spoon & Klüver, 2014).

Regardless, parties also have their programmatic orientations on welfare. This thesis also departs from the conventional accounts of extant research. It views party orientations along two relevant dimensions that reflect the structure of social policy preferences in the electorate. One is their attitudes towards economic intervention in the economy. The other is the funding of distinct social programmes (see Döring & Schwander, 2015).

These guiding lines arguably offer a valuable starting point to better explain the politics of welfare change in current times. Importantly, they draw new insights from the existing literature that builds on arguments of path dependence, blame avoidance, and partisan competition. They also contribute to an underdeveloped field of research on government responsiveness in social policy. The remainder of this thesis centres around this subject.

Chapter 3

Welfare state change: the *dependent variable* problem revisited

The previous chapter introduced the dominant academic perspectives on welfare state politics in current times. Its importance notwithstanding, this discussion did not deal with one critical aspect that also draws considerable scholarly interest: how to conceptualise and measure changes in welfare states.

The concern over how to best capture welfare state change started with Esping-Andersen's (1990) work on *The Three Worlds of Welfare Capitalism*. In his book, Esping-Andersen is highly critical of total social spending levels, at the time the measure used in most empirical research (e.g., Wilensky, 1974; Stephens, 1979; Korpi, 1983). The author considers that this approach tells us little about the structure and priorities of social provision that each welfare state offers. Instead, he suggests that comparative research should focus directly on social rights and their capacity to make individuals "maintain a livelihood without reliance on the market" (Esping-Andersen, 1990: 21–22).

This contribution inspired protracted debates among scholars over the choice of the *dependent variable* in comparative welfare state research (see Clasen & Siegel, 2007). Two dominant approaches stand out in the current literature. The first defends the use of social expenditure, leveraging desegregated spending data to get more theoretically grounded insights about developments in welfare states (e.g., Castles, 2002; Olaskoaga-Larrauri et al., 2010). The second follows Esping-Andersen's lead and advocates using social entitlement data (e.g., Korpi & Palme, 2003; Allan & Scruggs, 2004).

This chapter revisits the debates about the *dependent variable*. This discussion will help us make a more informed decision the most appropriate approach to this thesis. In what follows, this work argues that expenditure data seems the most promising, offering several critical advantages that align with the broad theoretical interests of this research. First, social spending can grasp changes not only in income-replacement programmes but also in social services. Second, they do not rely on discretionary choices of 'typical cases' of welfare recipients for their computation, as is the case with entitlement data. Third, they make comparisons between otherwise-distinct policy areas a relatively straightforward task.

To be sure, these advantages do not mean that the use of expenditure data does not come with their shortcomings. Two significant drawbacks underlie this choice. The first is that social needs and political circumstances independent from government decisions can affect spending levels (Kühner, 2007; Klitgaard & Elmelund-Præstekær, 2013). The second is that government decisions often take time to materialise. The delayed roll-out of policy changes can, in some circumstances, result from strategic decisions incumbent parties make for their electoral benefits (Pierson, 1996; Streeck & Thelen, 2005). Both problems make it more challenging to link change in welfare states directly to immediate government policies (Green-Pedersen, 2007).

With this in mind, this chapter ends with a discussion of measurement and empirical strategies to minimise these problems. Here, it also introduces the variables used to measure changes in welfare states throughout the remainder of the dissertation.

Measuring welfare state change: two competing approaches

Social expenditure

This approach hinges on government spending levels on policy programmes that aim to improve the economic and social well-being of citizens. Most empirical research focuses on conventional social protection programmes such as unemployment, disability and sickness, and pensions (Jensen, 2011a; Bandau & Ahrens, 2020). However, this approach can in principle apply to other welfare functions, including healthcare, family and children, and education policies.

Social expenditure data is the most commonly used in comparative research on welfare state politics, as Table 3.1 illustrates (Clasen & Siegel, 2007; Bandau & Ahrens, 2020). To be sure, their ubiquity in the literature is partly driven by the sheer availability of data. Both the Statistical Office of the European Union (European Commission, 2021), and the Organisation for Economic Cooperation and Development (OECD, 2021) play a critical role in this regard. They publish cross-national expenditure data on an annual basis, categorising spending levels in different standardised functions. The resulting data allows like-for-like examinations of otherwise-distinct policy functions and other spending subcomponents, even if welfare institutions of each country have specificities that could prevent direct comparisons in the first place (Castles, 2002).

Even though these data collection efforts substantively overlap, there are some crucial differences in their treatment. For instance, the OECD (2021) distinguishes between public, mandatory and voluntary private spending. For its part, the European Commission (2021) only reports spending figures of public and compulsory schemes combined. Eurostat, however, presents useful distinctions between means-tested and non means-tested expenditure. These differences prevent the data of the different providers

Table 3.1: Studies about partisan effects after the golden age of welfare states

Indicators	Number of studies
Social spending	40
Replacement rates	14
Generosity index	5
Social spending and replacement rates	4
Social spending and generosity index	1
Replacement rates and generosity index	1

Source: Bandau & Ahrens (2020)

from being fully comparable (see Deken & Kittel, 2007). However, they also offer an opportunity to look at social spending from distinct vantage points and construct measures that align with specific research purposes accordingly.

Welfare efforts

Comparative research has constructed two distinct indicators based on expenditure data. The first is commonly referred as *welfare efforts*, a measure that captures aggregated or programme-specific social spending levels as a share of a country's Gross Domestic Product (GDP) (e.g., Hicks & Swank, 1992; Castles, 2001; Kittel & Obinger, 2003). Despite its prevalence in early research, this indicator has two pressing measurement problems.

First, its calculation is sensitive to developments in the state of the economy. As GDP serves as the baseline of the equation, the estimated values can register an increase in welfare efforts not because spending levels increase, but because the economy contracts. Similarly, they can also diminish in size not because governments reduce their budgets, but because the economy grows at a faster pace than social expenditures (Allan & Scruggs, 2004).

Second and most importantly, it does not respond to changes in the demand for welfare (Kuitto, 2011). Social needs can impact the budget of social programmes even if individual benefits do not change. Scholars have long acknowledged this problem in the case of unemployment expenditure, as changes in the state of the economy can rapidly affect the number of people out of work and thus eligible to collect these benefits (Huber & Stephens, 2001; Siegel, 2007).

These problems are especially concerning in the case of unemployment policies, as they are designed as automatic stabilizers. Unemployment transfers help to stabilise income and consumption throughout economic cycles without any government action. In times of economic contraction, cash transfers increase while economic output contracts. The resulting *welfare efforts* figures suggest that unemployment budget sizes increase due to changes in both the numerator and the denominator, even if actual individual benefits remain unchanged.

Perhaps one of the most conspicuous examples that illustrate these concerns comes from the United Kingdom in the early 1980s. At the time, Thatcher passed a series of reforms that reduced individual entitlements for unemployed people. Just in her first mandate, she introduced income taxes on unemployment benefits, removed earnings-related provisions, and linked benefit updates to GDP growth as opposed to inflation – which were usually higher, thus eroding benefit levels over time (Rieger, 2018). However, government expenditure on unemployment almost doubled in her first five years in office, from 9901.7 million pounds in 1979 to 18838.2 million pounds in 1984 (OECD, 2021).[1] *Welfare efforts* data show similar patterns, as figures grow from 1.12% and 2.02% of the GDP during this period. What is important to note here is that they do reflect the policy choices of Thatcher's government. Rather, this expansion of total unemployment transfers stemmed from a slowdown in the economy and a sharp increase in unemployment rates, that went from 5.4 to 11.4 percent during this period (Office for National Statistics, 2022).

Slow-burning needs can also affect the budgets of social programmes. Pensions and education programmes are particularly sensitive to this problem owing to demographic changes in western Europe over the past decades. To be fair, the year-over-year impact may not be as striking as fluctuations in cyclical needs. Still, not considering ageing population may introduce a systematic bias in the interpretation of spending patterns over time, as these trends tend to run only in one direction.

Standards of protection

More recent studies recognise these shortcomings and introduce a new indicator, *standards of protection* (Gornick & Meyers, 2001). This indicator corrects government expenditure not to GDP but instead to social needs. In practice, these figures are constructed by weighting spending levels with demographic measures that reflect the number of people who can potentially benefit from social programmes (Kuitto, 2011). Table 3.2 shows some of the proxies used in the existing literature to account for these structural needs.

This weighting strategy seems very promising because it makes the resulting figures not sensitive to GDP changes but rather to social needs. As such, they do not measure budget sizes nor government efforts. Instead, they capture spending per individual. This effectively deals with concerns about aggregate spending levels in policies that act as automatic stabilizers. From a substantive perspective, it brings expenditure data closer to the substantive interests of most comparative research in welfare state, which focuses on the quality of social policy provision.

Coming back to the example of Thatcher's government, unemployment expenditure per unemployed person was about 9309 pounds in the first year of her mandate in 1979. These benefits dropped to 6523

[1] Figures reported in Pound Sterling at 2015 constant prices.

pounds in 1984.[2] These figures appropriately reflect the retrenchment reforms introduced by the conservative government during this period.

These advantages notwithstanding, table 3.2 highlights one significant challenge with calculating *standards of protection*. Not all welfare functions offer uncontested nor intuitive controls for pressures stemming from social needs. Family and children policies are such a case, where authors include different age groups in their demographic indicators. One reason for these discrepancies is perhaps because the age limits for childcare allowances differ from country to country (Kuitto, 2011). For this reason, scholars should explain the rationale behind their weighting, especially when making cross-country comparisons.

Sickness and healthcare programmes arguably present the most conspicuous challenges. The existing studies recognise that there is no clear structural-demographic indicator that is readily available and that can capture demand for healthcare services (Kangas & Palme, 2007). They propose life expectancy as a rough approximation. However, it is not clear what the estimated figures convey from a conceptual standpoint. As a result, some authors argue not weighting spending variables and alternatively including controls for social needs as independent variables in regression analyses (Kühner, 2007).

Table 3.2: Proxies for social need used in existing literature

Social programme	Indicators
Aggregated spending	Total population (Alsasua et al., 2007)
Unemployment	Unemployed people (Kangas & Palme, 2007; Olaskoaga-Larrauri et al., 2010; Kuitto, 2011; Ronchi, 2018)
ALMPs	Unemployed people (Van Vliet & Koster, 2011; Ronchi, 2018)
Pensions	Population 65 years-old or older (Olaskoaga-Larrauri et al., 2010; Kuitto, 2011; Ronchi, 2018)
Family policies	Population 18 years-old or younger (Gornick & Meyers, 2001)
	Population 15 years-old or younger (Kangas & Palme, 2007; Olaskoaga-Larrauri et al., 2010)
	Population 6 years-old or younger (Kuitto, 2011)
	Population 4 years-old or younger (Ronchi, 2018)
Education	Population between 5 and 19 years-old (Ronchi, 2018)
Sickness	Life expectancy (Kangas & Palme, 2007; Kuitto, 2011)
Healthcare	Life expectancy (Kuitto, 2011)

[2] Figures reported in Pound Sterling at 2015 constant prices. The number of unemployed people was retrieved from Trading Economics (2022).

In any case, the weighting strategy to construct *standards of protection* does not suffer from the systematic biases that measures *welfare efforts* introduce (Jensen, 2011a). This is an critical quality that ensures that the dependent variables do not introduce systematic biases in statistical analyses.

Shortcomings of expenditure data

There is still room for improvement in the treatment of social spending in the numerator. For instance, scholars should use net spending and not gross spending levels when constructing their measures. Crucially, net expenditures reflect the effect of the tax system. As some authors highlight, the generosity of benefits may be offset by direct taxes on social transfers and consumption taxes (Allan & Scruggs, 2004; Green-Pedersen, 2007). Yet, it is somewhat surprising that existing studies have not made this a standard practice considering that this is a well-established problem in the current literature, and that Eurostat and the OECD offer net spending series for income replacement programmes for some time now (Adema & Ladaique, 2005; European Commission, 2021).

The debates around the *dependent variable* also stress two problems of expenditure based approaches more generally. For one, actual social spending levels do not exclusively reflect government decisions around the budget (Kühner, 2007). As the previous paragraphs discussed, social needs can substantively affect social spending even if individual benefits remain unchanged (Green-Pedersen, 2007). However, the generosity of individual benefits themselves may not exclusively stem from government preferences as well. Previous policy commitments, the interests of organised interest groups and different levels of government, and bureaucratic drift also have a crucial role in shaping social policies (Hacker, 2004; Klitgaard & Elmelund-Præstekær, 2013).

Furthermore, government decisions may not reflect changes in spending levels immediately (Streeck & Thelen, 2005). This problem is particularly relevant when these decisions entail perceivable costs among voters. In these cases, governments often strategically implement reforms gradually to decrease their visibility and avoid electoral repercussions (Pierson, 1996; Green-Pedersen, 2002).

Once again, these problems are well documented in existing literature but often overlooked in empirical analyses (see Green-Pedersen, 2004; Clasen & Siegel, 2007). Statistical studies can tackle these problems by discussing how political constellations and their preferences may affect their theoretical expectations and model them accordingly. Scholars should also avoid model specifications with annual lags between the explanatory and dependent variables (Starke, 2006). A preferable approach hinges on various time lags to test the robustness of results or a select time difference backed-up with sound theoretical or empirical reasons (Deken & Kittel, 2007; Schmitt, 2016).

Social entitlements

The second approach turns the focus away from government spending and instead deals with social entitlements available to individuals. This perspective looks at various aspects of social policy, from the range of rights to eligibility criteria, duration and generosity of benefits.

Esping-Andersen (1990) introduced this approach in his book *Three Worlds of Welfare Capitalism*. Here, the author argues that social entitlements are better at grasping the 'theoretical substance' of that welfare state, that he considers to be its capacity to make individuals "maintain a livelihood without reliance on the market" (Esping-Andersen, 1990: 21-22). The author proposes an index that scores countries according to their commitment to decommodification. This index captures social rights in three conventional social protection programmes: unemployment, sickness, and pensions.

This work is very influential to the debates around the *dependent variable*, as numerous scholars see social entitlements as more appropriate to conceptualise and measure welfare state change (Green-Pedersen, 2004; Kangas & Palme, 2007). Nonetheless, empirical applications of this kind of data were initially scarce. Two underlying challenges explain this slow adoption. On the one hand, information about social entitlements is not readily available. Measuring the generosity of individual benefits thus requires significant data collection efforts out-of-reach for most research projects (Castles, 2002). On the other hand, the scoring requires intricate and often arbitrary choices about the importance of the various components. This makes replication efforts more difficult and prevents findings in different studies to be directly comparable (Green-Pedersen, 2007).

Replacement rates

These data collection and measurement barriers were only effectively dealt with Korpi & Palme's (2003) and Allan & Scruggs's (2004) contributions. Their studies introduce *replacement rates*, a new indicator to measure the quality of social entitlements. Crucially, this indicator does not rely on indices and arbitrary scoring mechanisms of policy components. Instead, it calculates the generosity of individual benefits for a *typical worker* when facing social needsby comparing their estimated compensations with average wages .

The authors also launched two projects that collect and make social entitlement data available to other researchers. They are the Comparative Welfare Entitlements Dataset (CWED) (Scruggs et al., 2020), and the Social Protection Indicators (SPI) (Nelson et al., 2020). Both projects survey most of the advanced industrial economies for extended time-intervals. Both cover conventional social policies such as unemployment and sick pay insurance, as well as public pensions. In addition to that, SPI has recently expanded this coverage to include child benefits, parental leave, minimum income protection and student support. In part because of these efforts, most empirical research using social entitlements data now largely hinges on *replacement rates* rather than generosity indices to explore welfare state change, as Table 3.1 shows.

Table 3.4: Description of a *typical beneficiary* of unemployment programmes and sickness benefits

Indicator	CWED	SPIN
Economic sector	Manufacturing	Manufacturing (metal industry)
Age	40 years-old	30 years-old
Working years before loss of income	20 years	10 years, 5 uninterrupted
Previous job income	Average worker's wage	Average worker's wage
Household	Single with no dependent children	Single with no dependent children
	Single-earner family with two children aged 7 and 12	Single-earner family with two children aged 2 and 7

Shortcomings of social entitlement data

These contributions notwithstanding, four shortcomings underlie the use of social entitlements in empirical studies. The first two are specific to replacement rates. First, they are not only affected by legislation but also by changes in real wages (Schmitt & Starke, 2011; Wenzelburger et al., 2013; Horn, 2017). This indicator is calculated as the proportion of average wages for a manual worker. Thus, if average salaries grow, then the estimated benefits diminish even if governments do not curtail social entitlements. Since wages tend to increase over time, replacement rates present a systematic bias that tilts the scale towards retrenchment. According to Jensen (2011a), this may be the reason why statistical studies that use this measure and do not control for wage levels disproportionately find more welfare cutbacks compared to other empirical studies.

The second problem with replacement rates stems from the concept of *typical beneficiaries*. Table 3.4 illustrates how the CWED and the SPI construe this concept for two of the overlapping programmes they cover. To be sure, this practice gets around using indexes to reduce the complexity of individual benefits down to a single value. However, as the table shows, defining what is a *typical beneficiary* also involves making intricate choices. In fact, these differences in the treatment of the denominator explain why replacement rates data on CWED and SPIN are weakly correlated, both when looking at absolute levels and first differences (Wenzelburger et al., 2013). They essentially measure coverage for different individuals.

Making choices like this goes beyond comparability problems. As Chapter 2 discussed, labour markets in post-industrial economies have become increasingly heterogeneous. These structural changes put into question whether typical cases can still offer a meaningful representation of the quality of welfare programmes in the first place (Armingeon & Bonoli, 2007). This is particularly problematic since these projects make choices that reflect the realities of traditional household structures with conventional forms of employment. The initial development of welfare states was tailored to the demands of these then-prevailing sociodemographic groups. Social policies commonly offer better coverage in these cases due to institutional legacies and strong interest groups (Pierson, 1996; Hemerijck, 2013). Thus, the existing replacement rates figures may overestimate the generosity of benefits. Not only that, they may also underestimate how much welfare states changed in the past decades, as a significant number of reforms adapt existing policies to new employment patterns and family structures not portrayed by these typical cases (see Taylor-Gooby, 2004).

The third problem is that replacement rates – and social entitlements data more broadly – only assess the generosity of cash transfers. Thus, they overlook social service provision (Scruggs, 2007). To be sure, income replacement programmes played the fundamental role in welfare states during the post-war period. They were meant to protect individuals from the vagaries of the market by preserving workers' income in case of unemployment, disability, sickness, and old-age (Bonoli, 2007). However, post-industrial changes introduce new demands for social policies that not only protect but also encourage labour-market participation (Esping-Andersen et al., 2002; Hemerijck, 2013). This brings new efforts in social service provision in several areas such as healthcare, education, childcare and vocational training (Olaskoaga-Larrauri et al., 2010). Entitlement data cannot grasp the quality of these increasingly consequential social policies because they do not offer benefits in the form of income.

These trends highlight why this approach is increasingly incompatible with developments in social policy making in the past decades. In principle, this approach can still measure two important aspects that are also present in transfer programmes, eligibility criteria and income conditionality to access services. However, the two programmes that represent backbone of social services – healthcare and education – are universal in most advanced industrial economies, thus rendering fruitless cross-national and over time comparisons (Jensen, 2011a).

Finally, social entitlement data also have the same underlying problems of identifiability present in expenditure data. That is to say that direct government policies might have a tenuous link to entitlement outputs. More often than not, the generosity portrays the outcomes of lengthy negotiations between governments and other political actors, as well as previous policy commitments (Ebbinghaus, 2010; Lindvall, 2010). Furthermore, the electoral incentives to delay the roll-out in cuts in spending also apply to reforms restricting access conditions, the duration and generosity of benefits (Pierson, 1996). Hence, statistical studies of welfare state change need to be attentive to the impact of political constellations and time-lags in their modelling choices even if they use social entitlement data.

Why social expenditure?

Weighing the advantages and disadvantages of the two competing approaches to measuring welfare state change, this chapter argues that expenditure data offers more informative insights about welfare state change.

Social entitlement data grasp individual income replacement benefits. This makes them reasonable indicators to understand the developments of conventional welfare programmes during the post-war period. That is because labour markets back then were relatively homogeneous, and welfare provision was designed to respond to somewhat cohesive pressures for social protection. This research, however, focuses on the developments of post-industrial welfare states in the twentieth-first century. As the previous section explained, the increasingly heterogeneous social demands and the expanding policy repertoires of welfare states present severe challenges to this approach.

The first challenge is that social entitlements are ill-equipped to grasp the quality of social services. These services have become vital components to respond to increasing demands to promote labour-market participation in post-industrial welfare states (Hemerijck, 2017). In theory, researchers can solve this issue by complementing social entitlement data with empirical measures attuned to evaluating social service provision. Indeed, efforts to create such indicators goes back at least three decades (Alber, 1995). This body of research constructs several indices for different care policies. However, their subcomponents are fundamentally distinct from those of income-replacement policies.

As this chapter discussed before, eligibility criteria and income conditionality are critical aspects to consider when measuring the quality of transfer programmes. This is not the case for (universal) social services. To be sure, there are several important features to consider when assessing the quality of service provision. However, they do not apply to social transfers. They include regulatory structures, financial provisions, delivery infrastructures and caring capacities of service providers, distribution of provision between sectors, and scope for consumer choice (Alber, 1995; Daly & Lewis, 2000; Bettio & Plantenga, 2004).

Empirical analyses attempting to combine or compare the generosity of individual cash benefits and the quality of service provision thus run into fundamentally incompatible measurements of two distinct sets of policies with incommensurable goals. Expenditure data neatly sidesteps this problem. Money is a reference point that allows direct and straightforward comparisons between social transfers and services. Politicians themselves are likely to use the amount of money that goes to a social programme to assess whether it deserves more or less attention (Jensen, 2011a).

The second challenge to social entitlements is may offer uninformative evaluations of welfare state generosity, even if focusing on income preservation only. Most empirical research using entitlement data relies on typical cases to circumvent the complex rules of social programmes. However, this procedure seems particularly ill-suited for today's heterogeneous labour-markets. Besides, they run the risk of introducing systematic measurement biases if the typical case used for the computation of the benefits has social needs and access to protection fundamentally different from the average individual.

Again, this problem can be dealt with by moving away from typical beneficiaries to representative beneficiaries (Horn, 2017). This strategy would require surveying random samples of the population that adequately represent the potential beneficiaries of a social programme. These surveys should ask income levels before and after the need for social assistance. Of course, this approach is a gargantuan undertaking, especially considering these efforts would need to include various social policy areas, multiple countries and years. On top of that, these surveys cannot look retrospectively, and consequently do not offer information about past developments in welfare provision.

Again, a more feasible alternative strategy is to use expenditure data. To be sure, this approach does not capture individual benefits directly, only aggregate efforts. Thus, they are prone to be unduly sensitive to shifting demands for social needs. However, correcting spending figures for social pressures involves much simpler procedures than recasting the whole data collection process. Scholars have already suggested using indicators that approximate social demands, either as weights for social spending levels or as controls in regression analyses (Kühner, 2007; Olaskoaga-Larrauri et al., 2010). While these practices may only imperfectly capture social needs, they do not appear to suffer from systematic biases that could affect statistical inferences in empirical analyses (Jensen, 2011a).

Social spending indicators of welfare state change

This chapter uses expenditure data as the preferred approach to explore welfare policy change in recent decades for all these advantages. The measures of the three empirical chapters largely hinge on other indicators of *standards of protection*. As discussed earlier, these indicators weigh absolute spending levels to social needs. Social needs are captured by the size of demographic groups that potentially benefit from social programmes.

Some authors prefer to include these weights as controls in statistical models (see Kühner, 2007). This dissertation does not employ this strategy. Two different reasons underlie this decision. First, the weighted dependent variables are more suitable for the substantive interests of this thesis. Ultimately, the analysis asks whether politics affects the generosity of welfare programmes, not the size of budgets. Second, they allow us to explore patterns already adjusted to social needs outside of regression models. This gives us much more flexibility in choosing adequate empirical tools in each step of this research, even if just examining figures descriptively.

Spending in welfare aggregates

The three empirical chapters explore welfare state change at different levels of detail. These first set of indicators offers a comprehensive breakdown of broad categories of social expenditure identified in the social investment literature (see Nolan, 2013; Hemerijck, 2017):

- Government spending on social transfers *per capita*
- Government spending on social services *per capita*
- Government spending on compensatory policies *per capita*
- Government spending on capacitating policies *per capita*

These figures are used in Chapter 4 to explore how governments shaped social spending efforts in reaction to the Great Recession. They are measured at constant prices of national currencies to account for price changes. This approach is preferred over the use of Purchasing Power Parities because this chapter focuses on what happens with spending efforts over time within each country and not cross-country comparisons. In turn, the weighting choices of the analysis follow the strategy used in Alsasua et al.'s (2007) work. Since all these categories include components of various social policies covering a big part of the population, spending levels are divided by the total number of people in each country.[3]

In addition to these measures of *standards of protection*, this set of welfare aggregates also includes measures gauging the structure of spending efforts. They are as follows:

- Spending on social services as a share of total social expenditure
- Spending on social investment as a share of total social expenditure

These indicators offer valuable insights into the budgetary priorities of welfare states. The first captures whether social expenditure is more service or transfer oriented. The second works similarly but instead assesses the relative importance of social investment *vis-à-vis* social protection. One important note here is that these measures are not corrected for inflation nor social needs. Regardless, they still report figures robust to price changes and demand for welfare. This is because both sides of the equation have spending components, meaning that these corrections would apply to both sides. They cancel each other out and thus would produce the same values as non-corrected data.

Moreover, the resulting figures are still consistent with changes in the denominators. For example, if spending on services remains unchanged but total social spending decreases, budgetary priorities should become more service-oriented. These indicators register an increasing proportion of social expenditure

[3] Figure 4.2 in Chapter 4 specifies all the subcomponents used in each of these categories.

on services, thus consistent with these observed changes. The reverse happens when total expenditure increases. In this case, the figures correctly record a shift towards more transfer-oriented budgets.

Figure 3.1 and Figure 3.2 present some data on the composition of social spending as captured here. Plotting the data from the most recent available year shows some interesting patterns that align with the discussion in Chapter 2. Crucially, the welfare regimes identified in seminal work developed three decades ago are still consequential in explaining differences between countries (see Esping-Andersen, 1990; Ferrera, 1996).

Northern European countries, where Social Democracy had a critical role in the development of welfare states (Korpi, 1983), are the leading advocates of new types of social policy. They commit more than 40 percent of social expenditure towards services and investment programmes. In contrast, Continental Europe has spending efforts more biased towards transfers and consumption policies. The more decisive influence of Christian Democratic parties and corporatist arrangements in the construction of these welfare states explain a substantial part of these differences (van Kersbergen, 1995).

Southern European countries fall at the end of the spectrum, with conventional policies making up almost 80 percent of total social expenditure. Interestingly, the prototypical conservative welfare states in the continent fare differently than their southern counterparts. According to these data, they are considerably more oriented toward services and social investment, which account for 25 to 35 percent of their spending efforts. This is because these countries have shifted their models of compensatory social insurance with the introduction of major employment-centric reforms, predominantly in family and children and active labour-market policies (Seeleib-Kaiser, 2016; Hemerijck, 2017).

Liberal countries also appear to give considerable weight to services and social investment. At first glance, the data from 2018 make them comparable to other continental welfare states. However, these similarities should be interpreted with caution. Public spending on new forms of welfare is relatively low. Most of these efforts stem from healthcare provision and education programmes (OECD, 2021). Importantly, family policies and welfare-to-work schemes come in the form of tax credits and work incentives, with service provision being left to the private sector (Daly, 2010; Bonoli, 2013). The reason why these figures seem comparable is that liberal countries also have modest social protection schemes (see Hemerijck, 2013), which makes total public spending, that is, the baseline of the equation, relatively low.

These data highlight a critical caveat with the use of composition data on their own. They can only report relative budgetary priorities and not actual levels of generosity. Given its theoretical interests, this work uses these figures only as a complement to the indicators of *standards of protection* to assess whether changes in spending levels are evenly distributed or otherwise targeted to some of these categories.

Figure 3.1: Spending in transfers and services as a share of total social spending (2018)

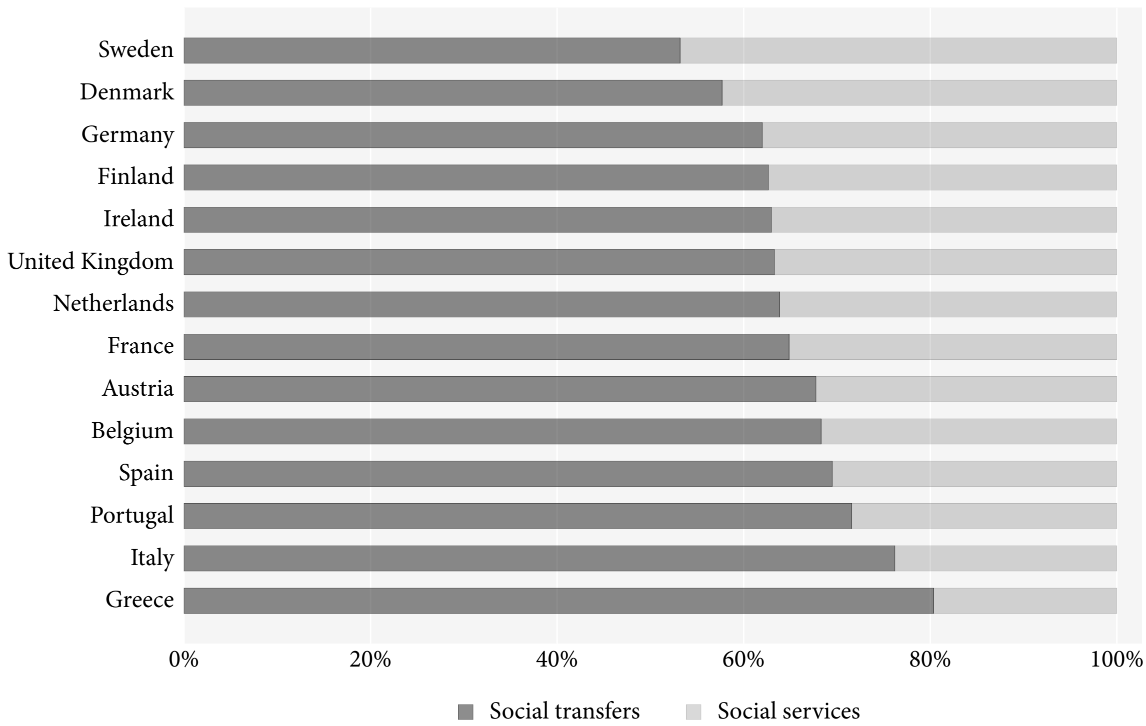
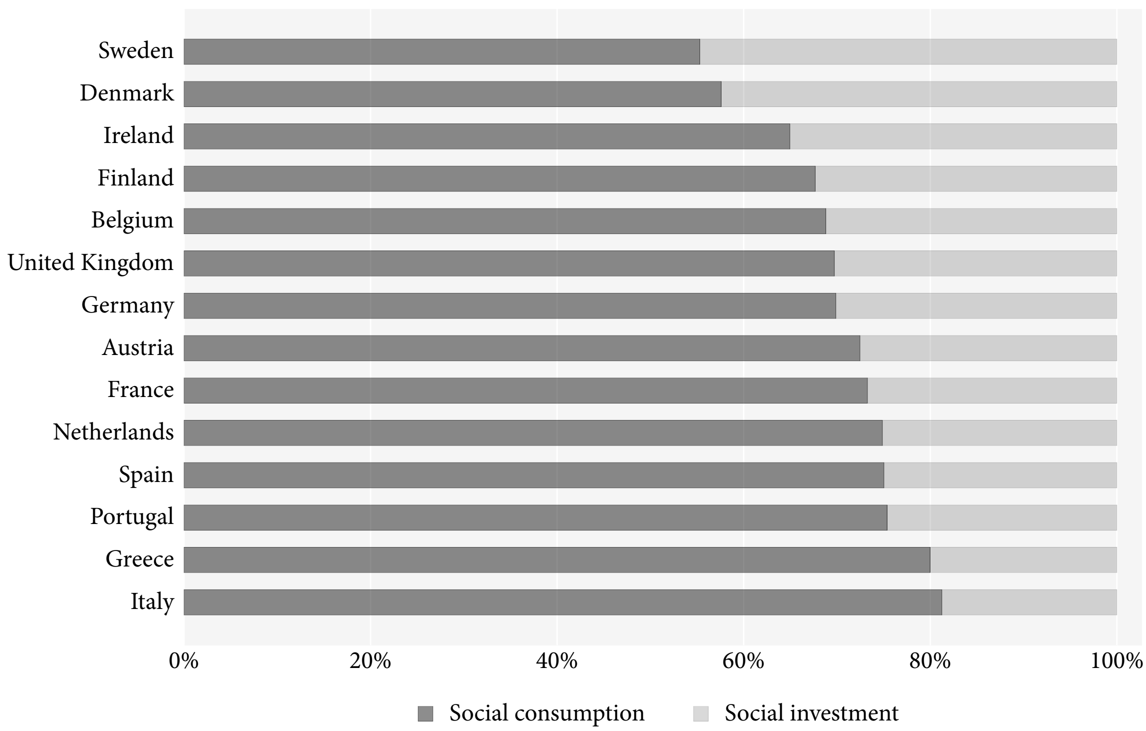


Figure 3.2: Spending in consumption and investment policies as a share of total social spending (2018)



Spending in select welfare functions

The second set of indicators narrows the focus of the analysis. Rather than exploring trends in big-spending aggregates, it focuses on specific welfare functions. They are as follows:

- Spending on unemployment policies per unemployed person
- Spending on old-age programmes and survivors pensions per person 65 years-old or older
- Spending in primary and secondary education per person between 5 and 17 years-old
- Spending on healthcare programmes *per capita*

These indicators are used in Chapter 5 to assess how public opinion affects social spending priorities in different welfare programmes. Given that these substantive interests hinge on dynamic changes over time within each country, the spending figures are measured in constant prices of national currencies (see Wlezien, 1995). Regarding the weights for social needs, the analysis largely follows the choices previous scholars employed in their research (see Table 3.2).

Unemployment spending levels are weighted to the number of unemployed people. This allows us to grasp individual benefits without undue influence from cyclical changes in unemployment and from automatic budget changes when economies contract. For their turn, pensions and education expenditure are weighted to the number of people in the age-cohort that can potentially benefits from each respective programme. To be sure, these policy areas do not suffer from sudden fluctuations in the number of potential beneficiaries as does unemployment. However, gradual cumulative shifts in dependent population can still affect the interpretation of expenditure changes over longer periods. This weighting scheme effectively deals with these concerns.

The only deviation from standard practice in this dissertation is in healthcare, where spending levels are weighted to the total population. The underlying rationale for using this weighting strategy is that health services provide care to all age groups (Jensen, 2012). To be fair, some age brackets may put more pressure on the system, as is the case with the elderly population. Notwithstanding, this measure should offer a good approximation of spending efforts in healthcare, as the age composition of Western European countries does not drastically change year-over-year (European Commission, 2021). More importantly, the resulting figures have an intuitive meaning, which would not be the case were they constructed with other denominators like life expectancy. In any case, other indicators of structural pressures on healthcare systems can still be included in regression analyses – for instance, median age – if there is a suspicion of systematic bias in these dependent variables.

Table 3.6 depicts the latest available expenditure data for the four welfare programmes in focus. This table compares figures adjusted to social needs and the size of the economy. Crucially, it illustrates why *standards of protection* appear to be a better measure to grasp the generosity of welfare states.

Table 3.6: Comparison between spending per potential beneficiary and spending as share of GDP (2018)

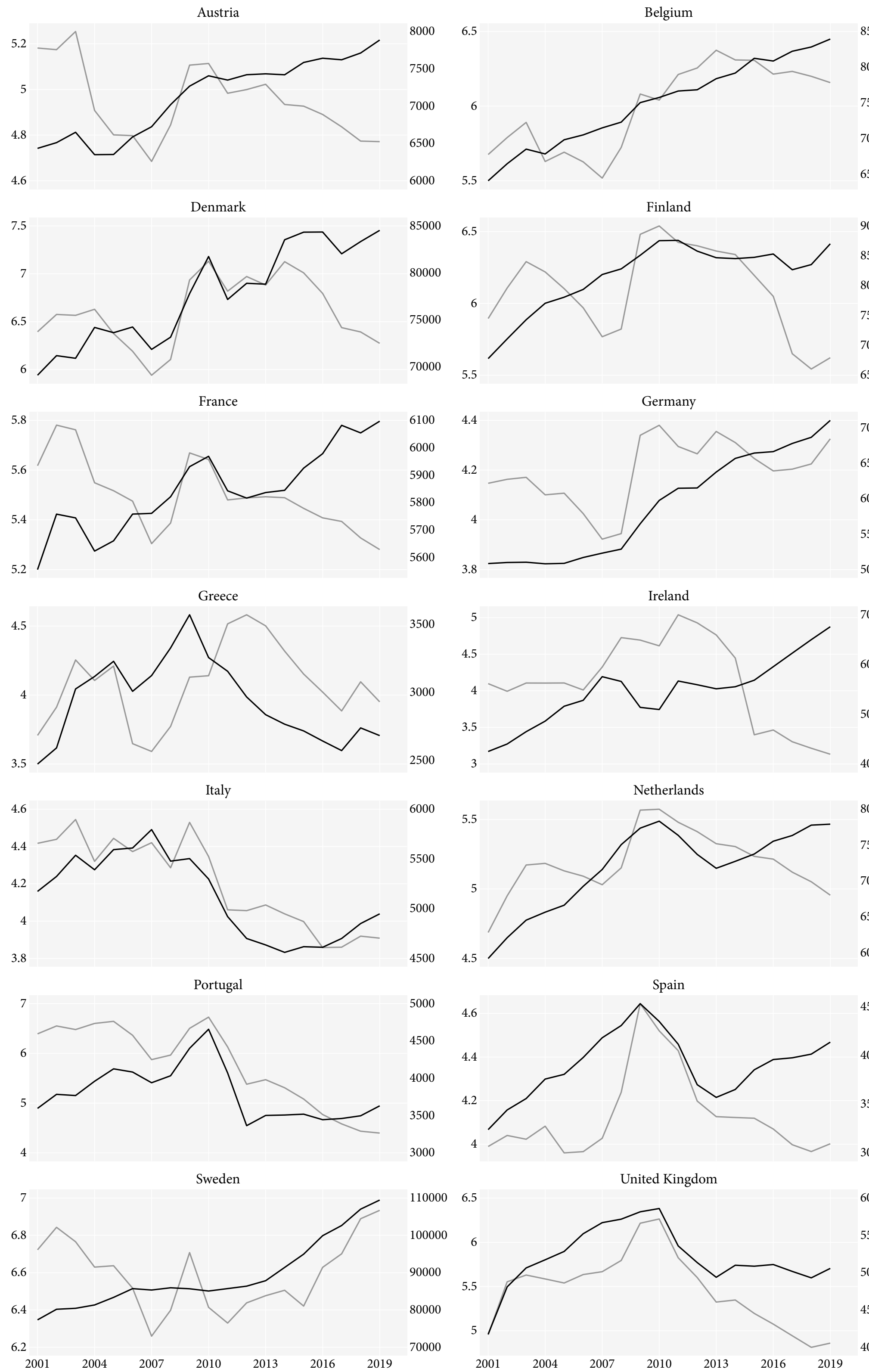
	Unemployment		Old-Age		Healthcare		Education	
	PPS	GDP	PPS	GDP	PPS	GDP	PPS	GDP
Austria	25192	1.6	32255	15.2	2961	7.5	7351	4.8
Belgium	24480	1.8	28772	14.7	2690	7.4	7962	6.2
Denmark	18943	1.3	29491	14.3	2599	6.5	8659	6.4
Finland	17195	1.8	23729	14.8	2297	6.7	6940	5.5
France	15117	1.9	25256	15.4	2907	9.0	5736	5.3
Germany	19546	0.9	20978	11.8	3819	10.0	6698	4.2
Greece	2254	0.9	15590	16.6	995	4.9	3420	4.1
Ireland	21497	1.0	23020	5.4	3105	5.3	5721	3.2
Italy	10055	1.5	22332	16.9	1909	6.4	5053	3.9
Netherlands	18819	1.0	27816	13.1	3735	9.3	7137	5.1
Portugal	4677	0.7	16437	14.7	1457	6.0	4374	4.4
Spain	6305	1.7	19553	13.3	1740	6.2	4539	4.0
Sweden	9556	0.9	24946	13.3	2777	7.5	8772	6.9
United Kingdom	4962	0.3	22172	12.4	2707	8.3	5277	4.8

The problem here lies with the fact that *welfare efforts* highly depend on the level of the gross domestic product of each country. Southern European countries make this point very clear. Regarding spending as a share of GDP, their investment in old-age programmes appears to be very comparable to other countries. According to these figures, Greece and Italy seem to be the ones that invest the most in these programmes. However, spending levels per person 65 years old or older show entirely opposing patterns. Greece, Portugal and Spain have the least generous pension programmes in Western Europe. Italy fares a little better but still lagging behind all continental welfare states except Germany.

Ireland offers another conspicuous case. Having one of the highest GDP *per capita* in western Europe (OECD, 2021), the country consistently ranks as one of the least generous not only in old-age policies but also in healthcare and education programmes. Notwithstanding, the figures corrected for social needs show that they are closer to the more generous welfare states of continental and northern Europe. In fact, Ireland is among the leading investors in healthcare services, ahead of countries usually considered the frontrunners in this area, such as the United Kingdom, Sweden, and Denmark.

Trends of social expenditure over time also show why correcting figures to social needs is preferred over gross domestic product. Figure 3.3 plots education spending as an example. This figure shows that efforts as a percentage of GDP depend highly on cyclical economic trends. Education spending as a proportion of the GDP goes up rapidly in almost all countries after 2007. These changes do not reflect a real increase

Figure 3.3: Trends of government spending in education programmes



Spending in education — % GDP — per person between 5 and 17 years-old in the nominator. Instead, they stem from the contraction of domestic economies in Western Europe following the financial shocks of 2007.

As the economies picked up their pace, *welfare efforts* in education take a downwards trend. Nevertheless, except in southern European countries and the United Kingdom, spending per person between 5 and 17 years old seems to be either stable or consistently increasing. Again, Ireland shows starkly different developments when comparing these two variables. GDP corrected figures make it seem that investment in education has been reduced to its lowest point in the last twenty years. However, spending per young person almost doubled during this period, going from 4000 to 7000 Euros at constant prices.

Spending in unemployment policies

The third set of indicators has the narrowest focus of this thesis, only delving into social policies for the unemployed. It splits spending on unemployment into three different categories. All of them are weighted to the number of unemployed people as is common practice in previous studies (e.g. Kuitto, 2011; Ronchi, 2018).[4] The indicators used in this chapter are as follows:

1. Spending on compensatory unemployment schemes per unemployed person
2. Spending on ALMPs for unemployment reduction per unemployed person
3. Spending on ALMPs for human capital development per unemployed person

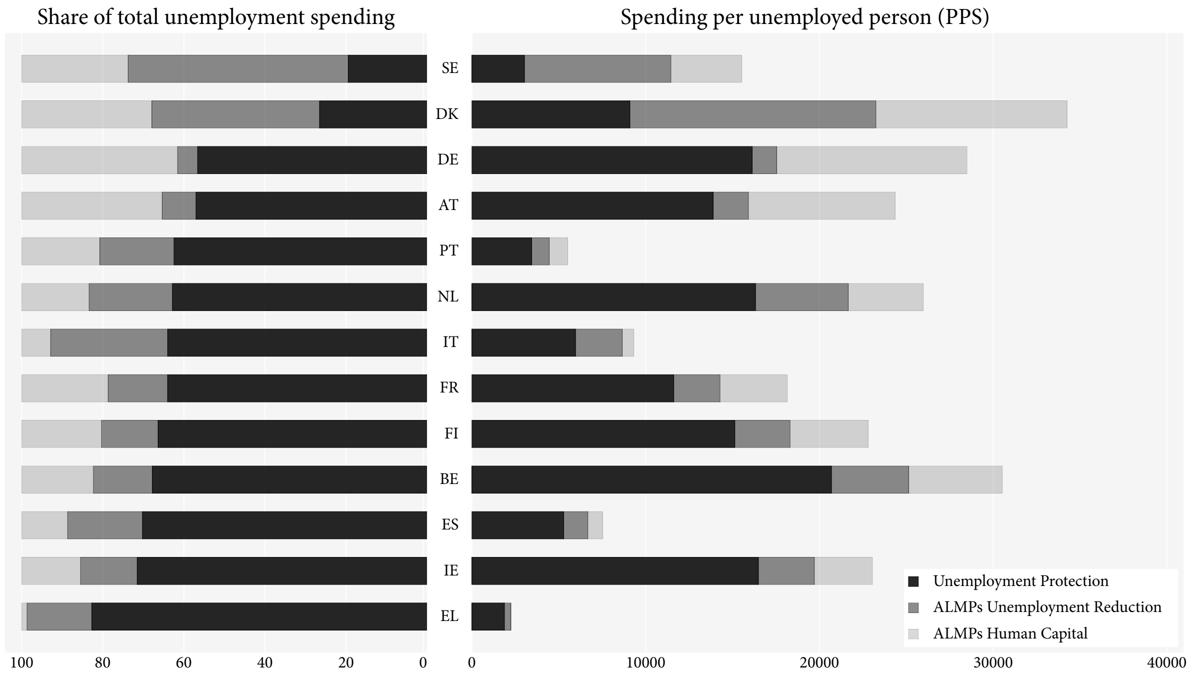
These indicators are used in Chapter 6 to assess the cumulative impact of political partisanship on the generosity of social policies for the unemployed. These substantive interests require a different approach to capturing social spending patterns here. Instead of capturing changes over time, this set of indicators measures actual benefit levels. For this same reason, the figures are corrected for Purchasing Power Parities (PPP) instead of constant prices of national currencies. Spending levels corrected to PPPs eliminate differences in price levels between countries without undue influence of currency fluctuations. Thus, they offer a better method to capture individual benefits as they allow for cross-country comparisons.

Figure 3.4 presents the latest data available for these policies. The right plot shows the generosity of unemployment programmes, while the left plot depicts the composition of their budgets. Again, the distinction of these two dimensions is critical for the analysis.

Welfare regimes appear to be vital to explaining differences in how welfare states prioritise different policies for unemployed people. The difference between Nordic welfare states and other regimes is very stark. Sweden and Denmark allocate more than three-fourths of their unemployment budgets to active labour-market policies. All other countries focus most of their money on compensatory schemes. This is also the case in Germany and Austria, which invested heavily in vocational training and human capital programmes over the last few decades.

[4] Figure 6.3 in Chapter 6 specifies all the subcomponents used in each of these categories.

Figure 3.4: Government spending in unemployment programmes (2017)



However, the investment made in these policies does not correlate with actual spending levels per unemployed person. Denmark, for instance, fares worse than its continental counterparts in compensation for job loss. However, they are still better than all Southern European countries. Having limited financial capacity to invest in social policies, they have the least generous policies in the universe of observation. The critical insight here is that welfare regimes no longer explain cross-country differences if these countries are removed from the analysis.

This highlights once again the discrepancies between composition and generosity. While the distinction between these concepts appears intuitive, it needs to be thoroughly incorporated in the theory of how political dynamics influence welfare state outputs. As this example demonstrates, the welfare regime hypothesis seems plausible in the case of budgetary priorities but not when it comes to individual benefits.

Concluding remarks

This chapter engages with the debates about the *dependent variable* problem in welfare state research. This debate puts two competing approaches to the test, one using social spending and the other social entitlements. Hinging on this discussion, it argues that spending data offers a better approach for the empirical analyses. Three reasons underlie this claim.

First, expenditure data allows us to assess the generosity of both income replacement and service provision. Second, they are agnostic to the complexities of the structures of social programmes. This allows us to bypass ultimately hard to justify choices about what constitutes *typical cases* of welfare beneficiaries, which is a mandatory step when using social entitlement data. Third, and most importantly, spending offers a good *medium* to compare the generosity across programmes with vastly different structures and also national contexts, thus removing other potential problems with comparability.

This chapter also discusses how to best handle this kind of data. Perhaps the most pressing problem with spending data is that they only show aggregate spending and not the generosity of individual benefits. This means that total expenditure levels can be affected by how much demand there is for welfare at any given time. This issue is addressed by weighting spending levels to demographic groups that are likely to benefit from a policy programme, as it is standard in most recent empirical studies about the welfare state (see Table 3.2). The resulting dependent variables – while by no means perfect – do not seem to suffer from systematic biases that may affect the empirical analyses (Jensen, 2011a).

This chapter also discussed some other technical aspects that need to be dealt with when using spending figures. For one, using net spending instead of gross spending for income-replacement policies to avoid the effect of different taxation systems (see Allan & Scruggs, 2004). Additionally, preferring constant prices for exploring differences over time and Purchasing Power Parities when the focus is on cross-country comparisons.

Finally, the modelling choices will reflect some of the most common concerns that may contribute to changes in these figures. Crucially, this includes controlling for the possible influence of other political actors in welfare changes. As with any phenomenon studied in Political Science, multiple factors can influence the dependent variables. The standard practice in the disciple is to have a theoretical discussion about the potential systematic impact of these confounding factors and control for them accordingly in empirical analyses. The modelling choices used in empirical chapters will have this in mind to make the findings robust to these potential biases.

Esping-Andersen (1990: 19) said in his book that "expenditures are epiphenomenal to the theoretical substance of welfare states". He also added that it would be "difficult to imagine that anyone struggled for spending *per se*" (1990: 21). I argue in the opposite direction that money is at the front and centre of welfare politics. It would be tough to imagine politicians not wanting to deliver more social rights to their constituents. The reason why social rights are a politically contested issue is that they are costly. Politicians themselves may ponder both costs and benefits when weighing in on new policies (Jensen, 2011a). As such, spending should capture the essence of conflicts over welfare. These conflicts are all about how societies distribute the scarce financial resources they have to improve the well-being of their citizens.

Chapter 4

Governments and welfare change: how do incumbent parties shape social spending during tough times

Governments face competing pressures in shaping social policy. On the one hand, they need to keep up with fiscal orthodoxy. On the other hand, they need have incentives cater to the interests of the electorate by delivering welfare benefits (Pierson, 2001). This chapter explores how national governments go about solving competing pressures in social spending during times of great economic and financial woes. It argues that, even in hard times, governments make choices to preserve their chances of reelection. In so doing, they choose to protect spending efforts in social policies that deliver direct and short-term benefits whilst cutting down on those that offer indirect and long-term realised benefits. This chapter tests this argument by examining the patterns of social spending in Western European welfare states during the Great Recession (2007-2013).

The findings are consistent with these expectations. They have important implications for the main theoretical interests of this thesis – the link between public opinion on welfare state change. They underpin the idea that governments have office-seeking motivations, which is critical if incumbents respond dynamically to what voters want (see Strøm, 1990; Wlezien, 1995).

These findings also bring some contributions to the welfare politics literature more generally. They introduce yet another piece of evidence that welfare states are resilient to retrenchment pressures (see Pierson, 1996). Notwithstanding, this effect seems to apply mostly to income-replacement programmes. Again, this chapter claims that this is because benefits go straight to people's pockets, making cuts more noticeable and more likely to weigh voting decisions come election day. Spending on social services and capacitating policies, on the other hand, seems to be more prone to cutbacks during tough times as voters are less likely to feel them directly.

The Welfare State and the Great Recession in Europe

The financial crisis of 2007 and 2008 triggered an economic slowdown across Western Europe. In any case, the repercussions of the initial crisis could not be more different across countries in the region. In Continental and Northern Europe, governments curbed the effects of the economic slowdown and bounced back relatively fast, in part owing to their healthy public finances and stable tax revenues (Helgason, 2019). In other parts of the continent – in countries like Greece, Ireland, Italy, Portugal, and Spain – this crisis brought to the fore severe fiscal difficulties. Their governments had limited means to refinance their banking systems and to respond to the mounting economic challenges. Growing interest rates hampered their capacity to borrow money. Not only that, but because they were part of the Euro, they could not devaluate their currencies to make their economies more competitive in international markets and to alleviate fiscal pressures (Schimmelfennig, 2018).

Facing these constraints, the increasingly indebted countries turned to financial assistance from the European Union, the European Central Bank (ECB) and in the case of Greece, Ireland, and Portugal, the International Monetary Fund (IMF). This financial support came with strict regulatory and fiscal conditionalities (Genschel & Jachtenfuchs, 2018).

The new austerity measures were meant to balance national accounts. But in doing so, they further exacerbated the challenges to the financing of national welfare systems as they make up for the lion's share of government spending. At the start of the sovereign-debt crisis in 2009, spending on social protection, healthcare, and education accounted for 53 to 65 percent of total government spending in Southern European countries and Ireland (European Commission, 2021). Evidently, the fiscal pressures would have an impact on the funding of these programmes.

Social policy-making between fiscal and electoral pressures

But here lies a challenge for these governments. Cutting on welfare is an electorally dangerous exercise (Pierson, 1996; Starke, 2006). The extensive network of social programmes in mature welfare states stands to benefit large portions of the electorate. It is no surprise then that citizens are generally supportive of welfare programmes, even in times of financial stress (Blekesaune, 2007; Jæger, 2009) and even if they perceive a trade-off between government spending and economic performance (Giger & Nelson, 2013). In addition to that, their sheer numbers make them more often than not crucial for the electoral fortunes of politicians. They can also form influential interest groups that facilitate coordination and help them secure their interests in the political arena (Pierson, 1994, 2001).

This suggests that welfare retrenchment reforms are frequently unpopular decisions (Pierson, 1996). Politicians, for their part, should be conscious about large-scale adjustments to social programmes as they may hinder their chances of reelection (Weaver, 1986; Green-Pedersen, 2002; Elmelund-Præstekær & Klitgaard, 2012).

Fiscally constrained yet electorally motivated governments consider these two competing pressures when making social policy. As Chapter 2 discussed before, they often use blame avoidance strategies to introduce cuts to spending on welfare programmes (see Starke, 2006; Vis, 2016). One approach documented in the extant literature is to reduce spending efforts over time with small incremental changes rather than large-scale adjustments all at once (Streeck & Thelen, 2005; Armingeon & Giger, 2008). Admittedly, this is often the case in pension reforms (Green-Pedersen, 2002). This strategy, however, may have been challenging to pursue in the indebted governments of Southern European countries and Ireland during the Great Recession, given the weight of the fiscal problems and the pressures to reduce budget deficits.

Yet another strategy is to depoliticise retrenchment reforms by justifying the need for the cutbacks (Green-Pedersen, 2002; Giger & Nelson, 2011). This was the strategy the centre-right Portuguese government used at the time of the debt crisis, linking austerity with the need for credibility and avoiding adverse market reactions. The discourse was crucial for the executive to overcome the opposition of domestic actors to the strict fiscal measures (Moury & Standring, 2017). Still, it appears that the politics of justification were not enough to depoliticise austerity programmes during this period. The state of the economy and the strategic emphasis of opposing political elites kept the economic and fiscal issues at the forefront of public attention, not only in Portugal, but in all other the countries particularly hit by the crisis (Hobolt & Wratil, 2015).

But in a context of substantial budgetary limitations and high salience of fiscal problems, governments can still avoid the blame by strategically choosing where to cut spending. Governments should prevent retrenchment reforms that generate highly visible and immediately perceived losses to the citizens. The cutbacks should instead target areas where the effects appear less tangible and only realised in the long-term (see Pierson, 1996; Jacobs, 2016).

At heart is of these decisions are the time-inconsistent decisions of democratically elected governments. Governments seeking reelection have electoral incentives to make decisions that create benefits — or reduce costs — in the short term, even if those decisions are at odds with generating long-term benefits. Trade-offs between short-term and long-term policy consequences are present in various aspects of government, most notably in environmental policies (Hovi et al., 2009) and the understanding of delegation of political authority to independent agencies (Majone, 2001). But these trade-offs also appear in the realm of welfare policy (Jacobs, 2016).

Welfare states are not created equal, comprising various programmes and numerous policies. They have distinct labour-market aims. Some are compensating. They foster "a socially acceptable standard of living independently of market participation" by protecting individuals from a loss of income (Esping-Andersen, 1990: 37). That is the case, for instance, of unemployment benefits or old-age pensions. Other programmes are capacitating. They facilitate labour-market participation and help developing human capital (Esping-Andersen et al., 2002; Nolan, 2013). Education programmes, vocational training, and childcare services are three conspicuous examples of this kind of policies (Nolan, 2013; Hemerijck, 2013). Notably here, the primary aim of each policy affects the expected time frame of their effects. Generally speaking, compensation generates more immediate benefits as individuals get direct benefits from a loss of income. On the other hand, capacitating policies usually produce benefits over time, as individuals get to improve their position in the labour market.

Welfare policies also have varying means of delivery. Some produce benefits in the form of transfers, others in the form of services. Examples of the transfer-based policies include paid sick leave or income maintenance programmes for working parents in the event of childbirth. Still, numerous social policies are service-based, such as healthcare provision or daycare for children (European Commission, 2021). As with the labour-market aims, the means of delivery also affect the perception of costs and benefits. Generally speaking, an increase or a decrease in income replacement transfers is highly visible to the beneficiaries of welfare programmes. In contrast, changes in the provision of services are much more diffuse, and their effects may even only become noticeable long after the reforms have been introduced. For instance, a 50€ cut in a pension benefit is much more noticeable than a longer wait at the hospital.

This discussion brings forward two compelling theoretical expectations for explaining how governments shape social spending priorities during tough times. The first is that the governments facing intense fiscal pressures should try to maintain their spending efforts in social transfers and compensating policies. The second is that these same governments should focus on reducing spending on social services and capacitating programmes. This leads to the following hypothesis:

Hypothesis 4.1 *Retrenchment pressures are more likely to produce spending cuts in social services and capacitating policies, and less likely to affect social transfers and compensating policies.*

Methodology

The empirical analysis tests these arguments by looking at the trajectories of social spending in fifteen Western European countries during the Great Recession. This analysis is split into two parts. The first offers a broad descriptive overview of the changes in social spending efforts of the last two decades. The second focuses specifically on the period of economic downturn. It explores how the countries were doing before the beginning of the crisis (in 2007-2008) with its peak (in 2012-2013). The empirical approach here compares the changes in each country's economic and financial situation between these two time-points, with the respective developments in terms of social spending efforts.

The countries included in this analysis vary in several crucial aspects. They have different welfare regimes and systems of interest representation (see Esping-Andersen, 1990; Ferrera, 1996). They also faced distinct challenges during the Great Recession. Some countries like Greece, Portugal, and Spain experienced severe economic distress and financial constraints. Others like Germany and Sweden had a comparatively fast recovery after the initial downturn (Helgason, 2019). This case selection is instrumental in this study, as it introduces several potential confounders that may well affect how governments respond to the crisis beyond what is expected. Here, the analysis uses three indicators to measure the economic situation of the countries:

1. Real GDP *per capita* growth between 2007 and 2012
2. The change in unemployment rates between 2007 and 2012
3. The difference in government debt to GDP, also between 2007 and 2012

To be sure, these three indicators are highly correlated with each other (see Table 4.1). Nevertheless, they capture different aspects of national economies that were particularly relevant during the Great Recession. Not only that, they offer an opportunity to check for the robustness of the findings. The expected trends in social spending efforts should be consistent across the board and not dependent on the specific economic indicator used to assess economic conditions.

Table 4.1: Correlation matrix between economic indicators

	GDP growth	Unemployment	Debt
GDP growth	1.00		
Unemployment	-0.91	1.00	
Debt	-0.73	0.72	1.00

The chapter now turns to the measurement of social spending petterns. The government policy areas classified as social policy follow the current definitions used in the literature on welfare politics (see Hemerijck, 2013). These include all the conventional welfare programmes – sickness and disability, social exclusion, family and children policies, old-age and survivors, unemployment, and housing programmes – alongside healthcare and education. To test the arguments outlined above, the sub-functions of each of these policy areas are categorised along two dimensions. The first distinguishes the means of delivery between transfers and services. The second identifies labour-market aims, social protection and social investment.

In terms of means of delivery, the analysis hinges on the classification already developed by Eurostat (European Commission, 2021). The statistical office of the EU distinguishes benefits that take the form of cash transfers and delivery in kind. Table 4.2 reproduces this classification for all social policy sub-functions, except for education. Education spending is not included in social protection statistics within the ESSPROS framework. Instead, these figures come from general government expenditure statistics that do not distinguish between transfers and services. For this reason, education spending is not included in this dimension.

The classification of different labour-market aims of social policies is not readily available. However, the current scholarly work on welfare recalibration and social investment does make crucial contributions in this regard (see Nolan, 2013). Compensating policies preserve income in case an individual leaves the labour-market. The customary reasons for labour-market exit include old-age, unemployment, sickness, and social exclusion (see Esping-Andersen et al., 2002). The categorisation presented in this table follows this definition. It includes all pension programmes, unemployment compensation schemes, paid sick leave, and means-tested income support.

Capacitating policies improve the position of individuals in the labour-market. Existing literature identifies two mechanisms underlying this goal: balancing work and family life and increasing human capital (see Armingeon & Bonoli, 2007; Bonoli, 2013; Hemerijck, 2013, 2017). In line with the social investment approach, the classification of capacitating policies presented in this chapter closely follows these two mechanisms. It includes all programmes that assist with family obligations – child and elderly care, home help and economic integration of disabled people. It also includes programmes that foster development of human capital – education and vocational training – and other ALMPs that help with labour-market reentry. Table 4.2 presents the classification along the two dimensions.

Table 4.2: Classification of social spending sub-functions

Function	Sub-function	Delivery	Aims
Disability	Accommodation	Services	
Disability	Care allowance	Transfers	
Disability	Disability pension	Transfers	Compensating
Disability	Early pension	Transfers	Compensating
Disability	Home help	Services	Capacitating
Disability	Integration of the handicapped	Transfers	Capacitating
Disability	Rehabilitation	Services	
Exclusion	Accomodation	Services	
Exclusion	Income support	Transfers	Compensating
Exclusion	Rehabilitation	Services	
Family	Accommodation	Services	

Family	Birth grant	Transfers	
Family	Child day-care	Services	Capacitating
Family	Birth income maintenence	Transfers	
Family	Family and child allowance	Transfers	
Family	Home help	Services	Capacitating
Family	Parental leave	Transfers	
Old-age	Accommodation	Services	
Old-age	Anticipated old-age pension	Transfers	Compensating
Old-age	Assistance in daily activities	Services	Capacitating
Old-age	Care allowance	Transfers	
Old-age	Full pension	Transfers	Compensating
Old-age	Partial pension	Transfers	Compensating
Survivors	Death grant	Transfers	
Survivors	Funeral expenses	Transfers	
Survivors	Survival pension	Transfers	Compensating
Healthcare	In-patient care direct provision	Services	
Healthcare	In-patient care reimbursment	Services	
Healthcare	Out-patient care provision	Services	
Sickness	Paid sick leave benefits	Transfers	Compensating
Unemployment	Assistance in job search	Services	Capacitating
Unemployment	Early pension	Transfers	Compensating
Unemployment	Full unemployment benefits	Transfers	Compensating
Unemployment	Mobility benefits	Services	Capacitating
Unemployment	Redundancy compensation	Transfers	
Unemployment	Partial unemployment benefits	Transfers	Compensating
Unemployment	Vocational training benefits	Transfers	Capacitating
Unemployment	Vocational training services	Services	Capacitating
Housing		Services	
Education			Capacitating

One important point to make here is that these dimensions are closely connected. Conventional social protection policies rely primarily on cash transfers to compensate for the loss of income of workers. On the other hand, social investment and capacitating policies hinges mainly on the provision of services. Empirically, these similarities make it difficult to disentangle the different effect of direct *vs* indirect benefits and short-term *vs* long-term benefits. Nevertheless, both classifications provide yet another opportunity to evaluate whether the general claims made here about government choices stand the use of different classification schemes.

The analysis uses these dimensions to construct two measures of the generosity of social policies. The first looks at public and mandatory private expenditure on social services and transfers, and also on compensating and capacitating. These figures are all measured at constant prices of national currencies to correct for inflation. This approach is preferred over Power Purchasing Parities because the theoretical expectations are about changes over time, not cross-country comparisons. The figures are also weighted by the population of each country. As such, they capture expenditure levels *per capita*. The analysis uses this weighting strategy instead of the number of potential target beneficiaries because the spending components cover various welfare functions that target broad segments of the population, rather than specific labour-market groups. The resulting variables allow us to compare the evolution of the generosity of different dimensions of social spending within each country across time.

The second measurement glances at the composition of social spending. Specifically, it looks at the share of public and mandatory private social expenditure allocated to social services and social investment. This ratio is calculated using raw expenditure figures. Correcting for price changes and the size of the population is not necessary because the weight would apply to all terms in the nominator and the denominator. The resulting ratio thus would be the same, as all weights cancel each other out. In any case, these variables provide valuable insights into the relative priorities of welfare states in terms of their means of delivery and labour-market aims.[1]

Discussion

The foray into the empirical findings begins with an overview of the trends of government expenditure in social policy in the last two decades. Figures 4.1 to 4.4 show that at the beginning of the century, western European democracies either expanded or maintained their social spending efforts all-around. The only exception appears to be Germany.

The conservative welfare regime saw a substantive decrease in the generosity of social policies across the four categories in focus. These downward trends started back when the Social Democratic Party (SPD) led a centre-left coalition with the Greens. The spending efforts then stabilized and gradually picked up pace between 2005 and 2009, when the Christian Democratic Union (CDU) and the SPD formed a grand coalition to the centre. The growth trajectory continued after the 2009 election, when the government

[1] Chapter 2 offers a more detailed discussion of how to measure welfare state change.

Figure 4.1: Trends of government spending in social services *per capita*

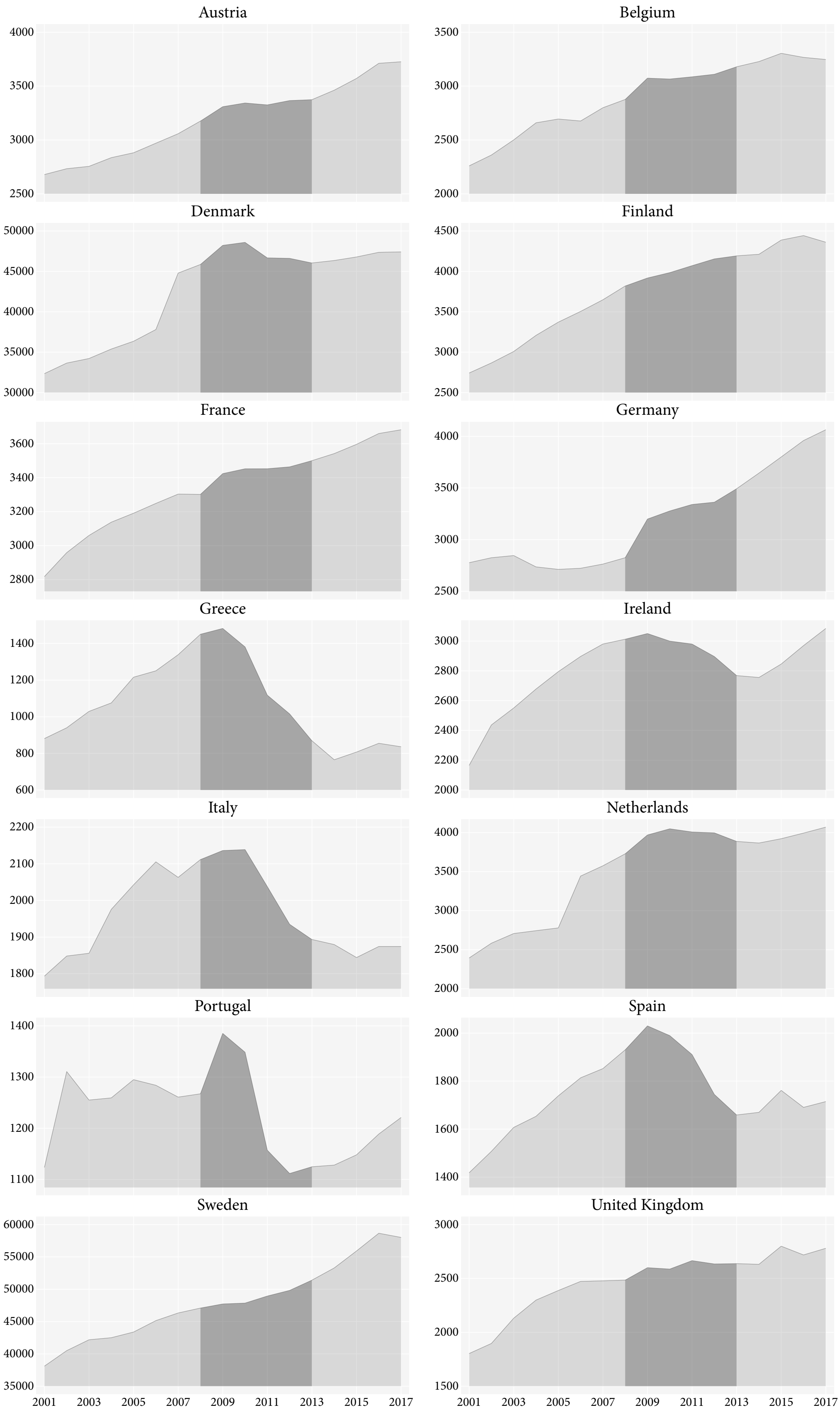


Figure 4.2: Trends of government spending in social transfers *per capita*

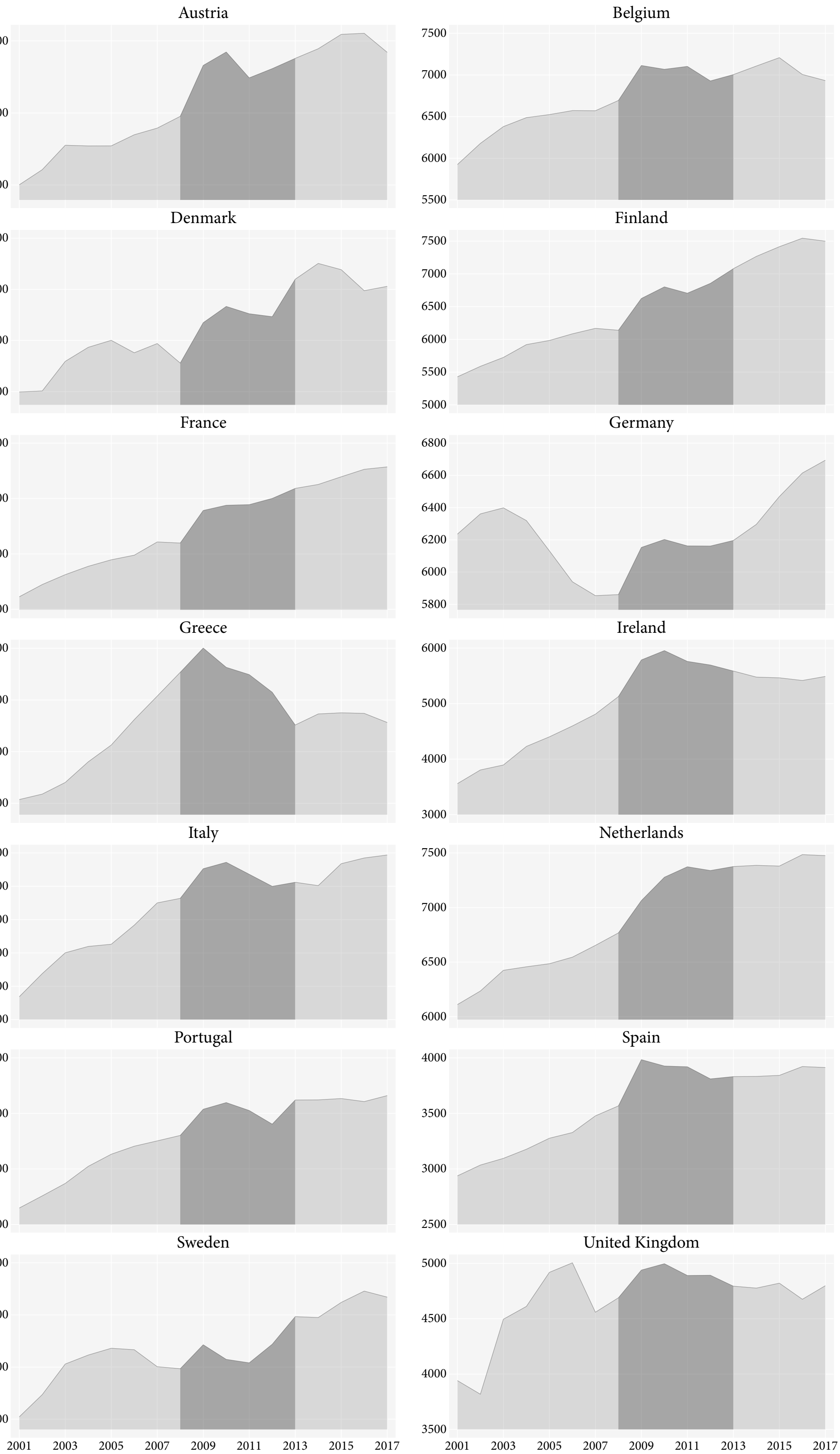


Figure 4.3: Trends of government spending in capacitating policies *per capita*

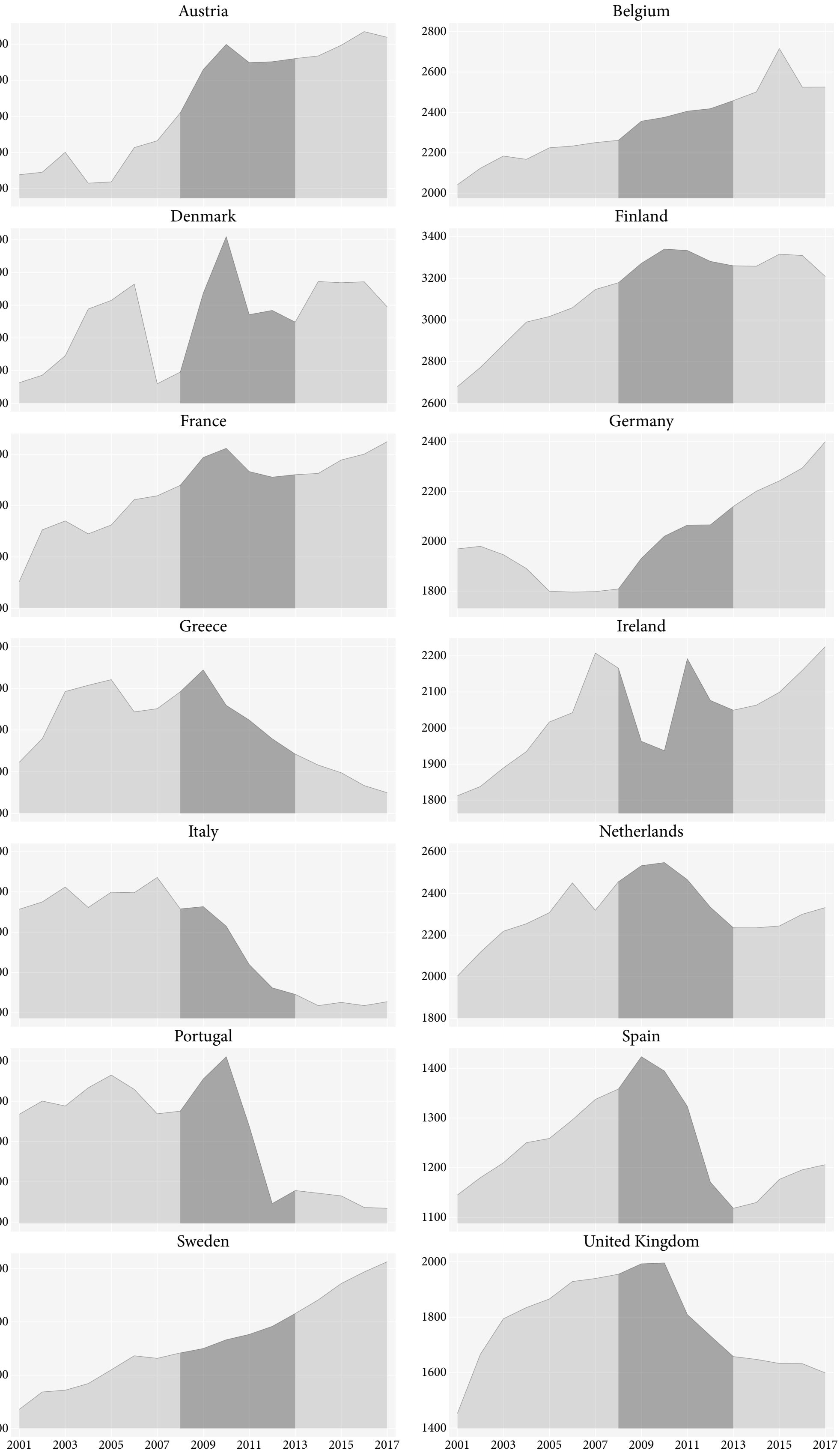
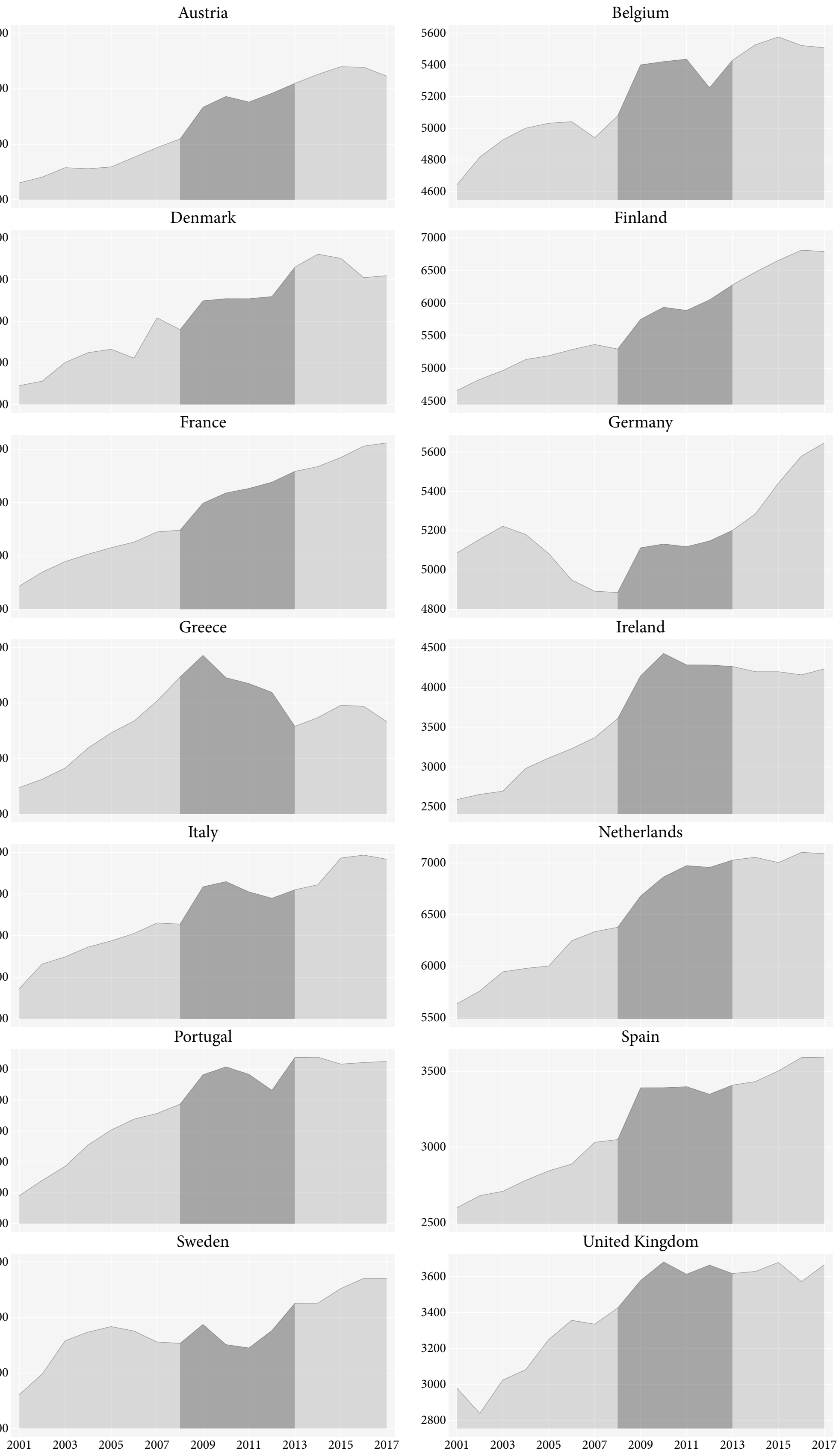


Figure 4.4: Trends of government spending in compensating policies *per capita*



moved to the right once again, with coalition between the CDU and the Liberals. These patterns run counter to the partisanship hypothesis posited in welfare state literature (see Chapter 2). According to this body of research, left governments should expand social spending efforts whereas the right governments should keep them in check (see Allan & Scruggs, 2004).

These figures reflect not party agency but rather the state of the Germany's welfare state and economy at the turn of the century. At the time, the federal government appeared unable to reform social and economic policy and modernise the welfare institutions of the country given the weight of policy commitments. These developments took place amid a recession that followed a decade of anaemic economic growth. The *Bundesregierung* introduced employment centric reforms in an attempt to respond to these problems in the final years of Schröder's mandate (Seeleib-Kaiser, 2016). However, it was the CDU-led coalition that made the most significant efforts to continue modernising German's labour and social policy. Benefiting from a better economic context, these reforms were an attempt to secure electoral support among women, after the two electoral upsets against the left back in 1997 and 2002 (Fleckenstein, 2011).

The case of Germany seems to conform to the idea that governments limit social spending efforts during times of economic and fiscal distress. Notwithstanding, a closer look at the figures shows no discernible differences between the two dimensions. That means that the retrenchment reforms affected somewhat evenly both transfers and services, compensation and capacitating policies. Therefore, these findings can only partially support the theoretical expectations presented above.

However, the figures tell us a different story when looking at the Great Recession. Contrary to the economic woes Germany experienced at the turn of the century, the Great Recession affected several countries. From an empirical standpoint, this crisis allows us to check for common trends across countries. Here, the figures show that the economic problems produced diverging effects on different spending components in the countries most severely affected by the crisis.

To remind the reader, Continental and Northern European countries had a slowdown of the economy in 2007. However, they enjoyed a relatively fast recovery after two years. In contrast, Southern European states along with Ireland experienced more severe economic distress. The higher interest rates and the loss of tax revenues hindered their governments' capacity to finance the public sectors (Schimmelfennig, 2018). These fiscal problems were met with austerity measures, financial assistance packages, a much more prolonged economic downturn, and high levels of unemployment (Scharpf, 2014; Olafsson & Stefánsson, 2019).

Figures 4.1 to 4.4 show distinct patterns between these two groups that appear to coincide with the economic situation at the time. These figures help us unpack the differences between policy areas with highly visible and short-term benefits (4.2 and 4.4), against policy areas with diffuse and longer-term benefits (4.1 and 4.3).

The countries not severely affected saw the welfare spending efforts keeping up with pre-crisis levels – even if after a modest reduction like what happened with capacitating programmes in Denmark and the Netherlands. Conversely, the crisis had a substantial effect on government in the generosity of social policies in Southern Europe. Italy, Portugal, and Spain saw cuts in social services and capacitating programmes during the Great Recession and never recovered to the levels seen immediately before the crisis. Still, social protection and compensation in these countries remained generally stable even during the period of more significant financial distress. Greece underwent widespread retrenchment reforms across the board – not only in services and capacitating policies but also in transfers and compensation policies. Nevertheless, it seems that the cuts affected more social services and capacitating programmes the most in all these countries.

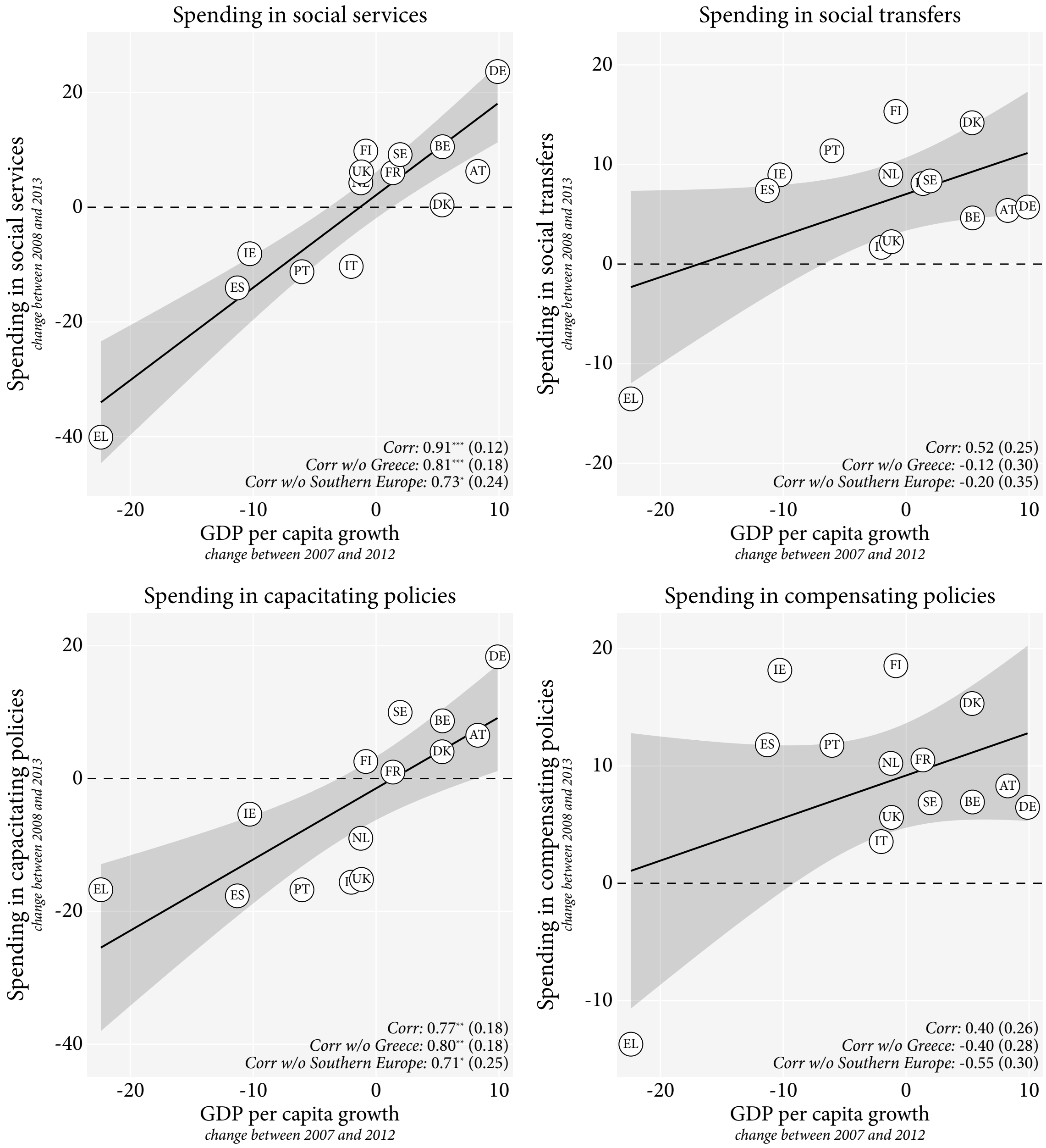
Again, the partisanship hypothesis does not seem to explain these trends. To be sure, the centre-right formed majority governments in both Portugal and Spain after defeating their centre-left counterparts in 2011. However, the figures reveal significant spending reductions in services and capacitating policies at least two years prior to these elections, when social democratic parties governed alone in both Iberian countries. Greece is also another case that goes against this hypothesis. The expansion of spending efforts prior to the Great Recession happened under the mandate of the centre right party New Democracy. The social democratic party PASOK won the elections in 2009. They implemented the austerity packages that aimed to respond to the financial crisis. After a period of caretaker governments, the two parties formed a grand coalition in 2012. This coalition continued with the retrenchment reforms as the financial situation of the Hellenic government continued deteriorating.

Figures 4.5 to 4.7 plot spending levels between 2008 and 2013 against the economic situation of each country in the preceding years (2007-2012). Again, they appear to corroborate the idea that economic and financial pressures matter, and that they affect spending components differently.

The countries who saw their GDP contract the most also experienced more extensive cuts in social services and capacitating policies. The correlation coefficients are strikingly high, 0.91 and 0.77, respectively. All Southern European countries and Ireland reduced spending when looking at both categories, and joined by the United Kingdom and the Netherlands in the case of capacitating policies (but not services).

Contrary to the theoretical expectations, this relationship also appears to be present in changes in expenditure in social transfers and compensating schemes. Notwithstanding, these correlations are somewhat lower, at around 0.52 to 0.40. Most importantly, however, they are almost entirely driven by Greece. When taken out of the equation, the coefficients for the spending levels of income replacement schemes turn very low and not significant. In fact, a closer inspection of the two subplots to the right reveals that all other countries broadened the generosity of transfers and compensation between 2008 and 2013 more

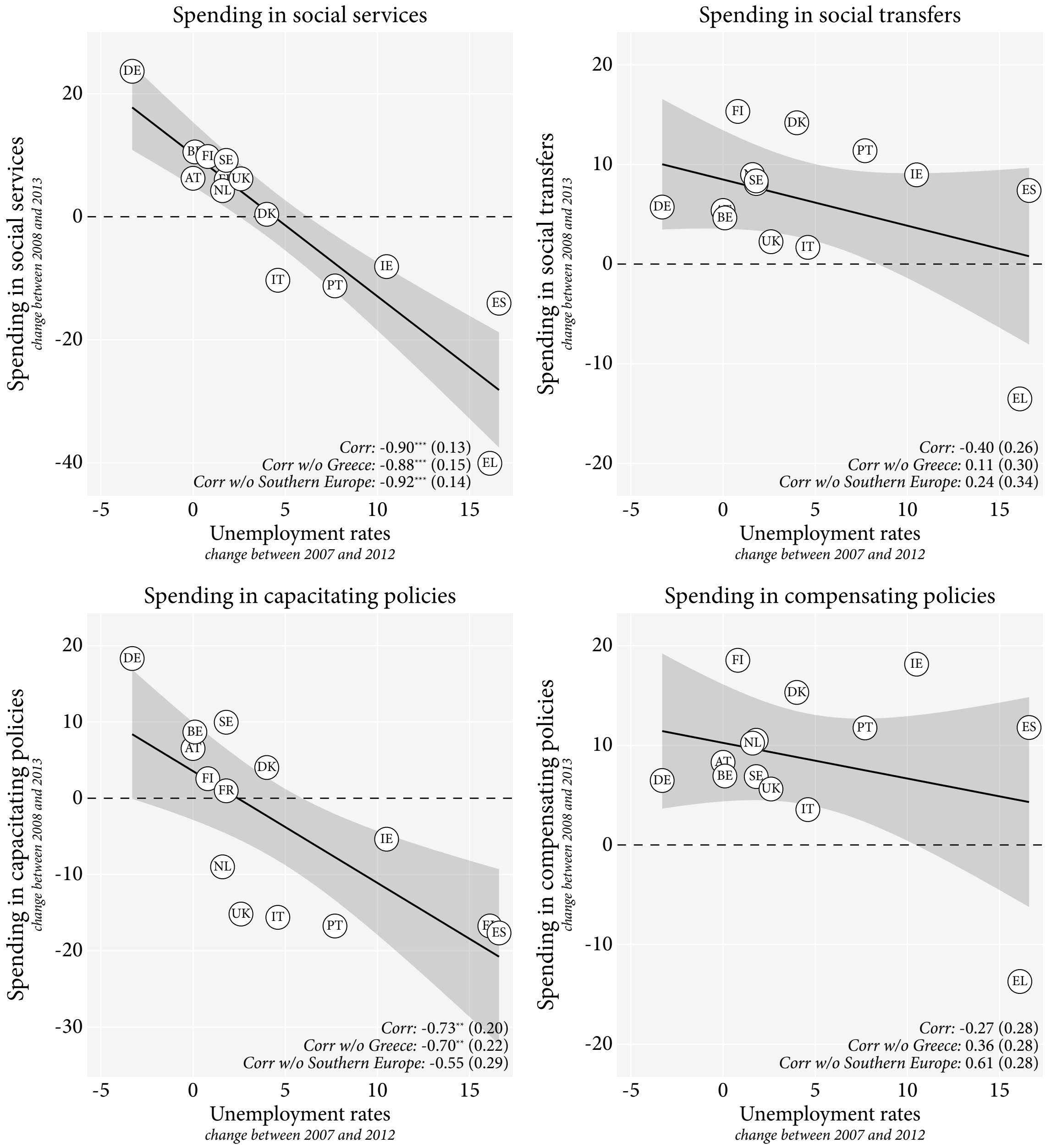
Figure 4.5: Correlation between GDP *per capita* growth and government spending in social programmes between 2007/2008 and 2012/2013



or less to the same extent. This holds true regardless of trends in economic growth, even for the other countries that received financial assistance.

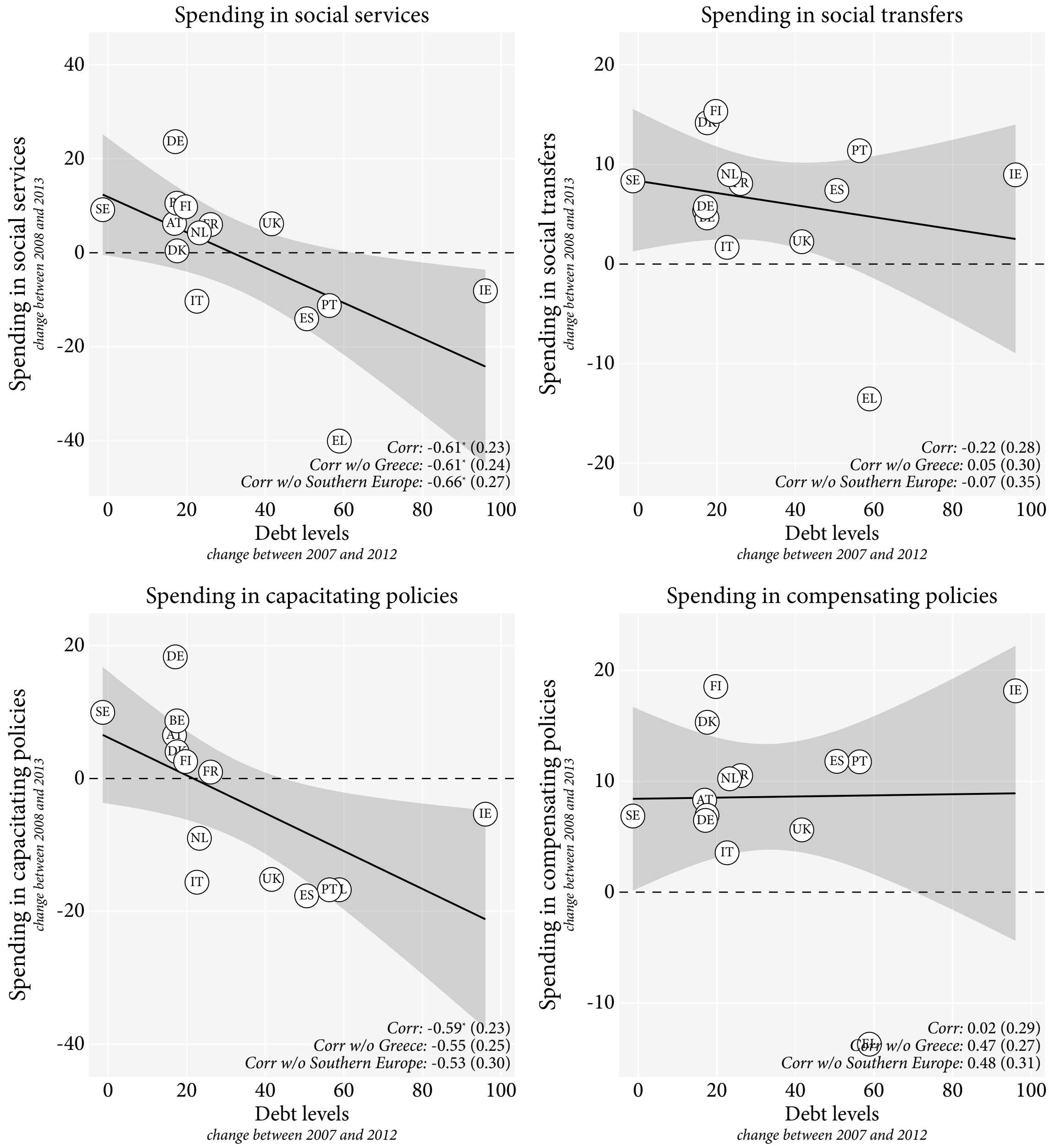
The unique case of Greece can be explained by the extent of financial problems and the magnitude of its adjustment programme, which placed much stricter conditions to the Greek government. Arguably, they made it impracticable to direct spending cuts to specific programmes because of the scale of levied retrenchment reforms.

Figure 4.6: Correlation between unemployment changes and government spending in social programmes between 2007/2008 and 2012/2013



In another interesting note, taking Greece, Italy, Portugal, and Spain from the correlation does not appear to affect these conclusions. The economic situation still appears to negatively affect the generosity of social services and capacitating policies, but not transfers and compensating policies in other countries. This evidence bodes well for the theoretical expectations, as they are not restricted to Southern European welfare regimes. While the economic performance of the other countries were relatively better, the smaller differences are still correlated with the rate of change of programmes that produce more indirect long-term benefits benefits.

Figure 4.7: Correlation between debt level changes and government spending in social programmes between 2007/2008 and 2012/2013



These findings are also fairly consistent no matter the indicator used to measure the state of the economy. The countries with higher increases in unemployment rates and debt levels were also the countries with the most severe cuts in social spending. Again, spending on social services and capacitating policies seem to be the most affected. Among the two, social services appear to be particularly sensitive to the economic situation. Additionally, this relationship remains fairly consistent when Greece and all Southern Europe are removed from the analysis.

The state of the economy appears to have a lesser impact on capacitating policies. The expected relationship is still there but driven mostly by Southern European countries. The observed relationship still runs in the expected direction when they are excluded from removed from the correlations. The coefficients are not significant relative to no change, but remain significant relative to the trends of compensating policies, as Figures 4.8 to 4.10 demonstrate.

These last figures help us assess whether government decisions disproportionality affect spending priorities in any substantive manner. Instead of comparing trends to no-change, they present how the composition of social spending changed during the Great Recession. More specifically, they report changes in the share of total social expenditure allocated to social services and capacitating policies changed.

If the expectations hold, the welfare states of the countries that suffered the most from the crisis should become more transfer- and compensation-centric. The plots reporting changes in means of delivery lend weight to this expectation. In line with the previous findings, the spending efforts in Southern European countries together with Ireland have gravitated towards conventional social protection policies. With the notable exception of Denmark, all other countries maintained the make-up of their spending priorities.

The plots reporting changes in labour-market aims also support the theoretical expectations. Here, the direction of the coefficients go in the expected direction and remain significant even if Greece and all Southern European countries are removed from the analysis. This relationship holds remarkably well when these patterns are put against GDP growth, unemployment rates and debt levels.

Figure 4.8: Correlation between GDP *per capita* growth and the composition of social spending between 2007/2008 and 2012/2013

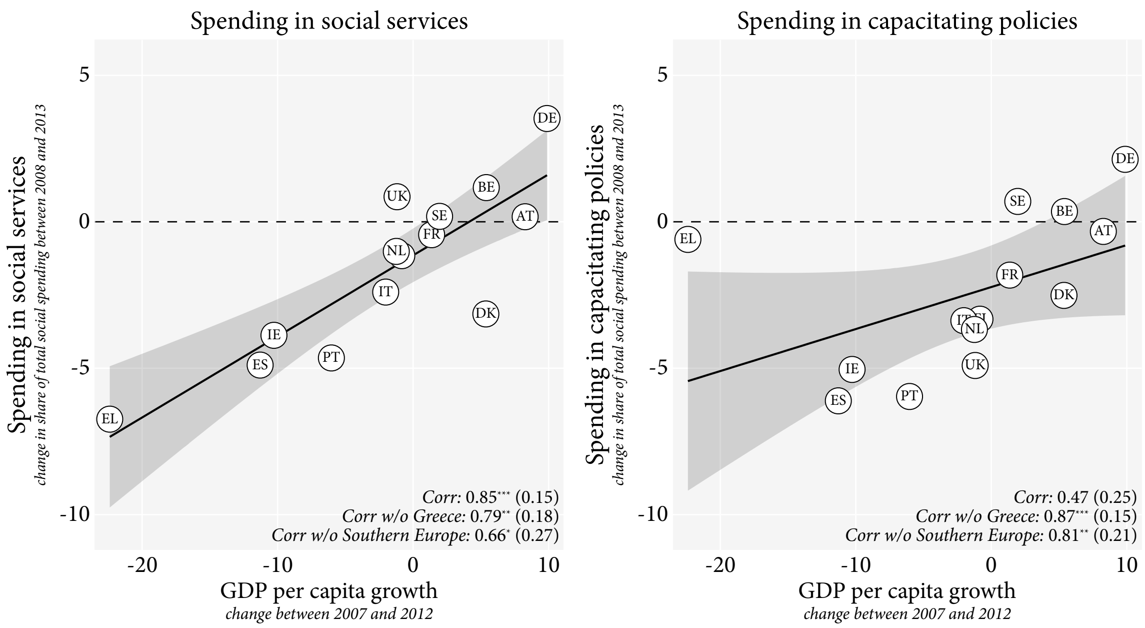


Figure 4.9: Correlation between unemployment changes and the composition of social spending between 2007/2008 and 2012/2013

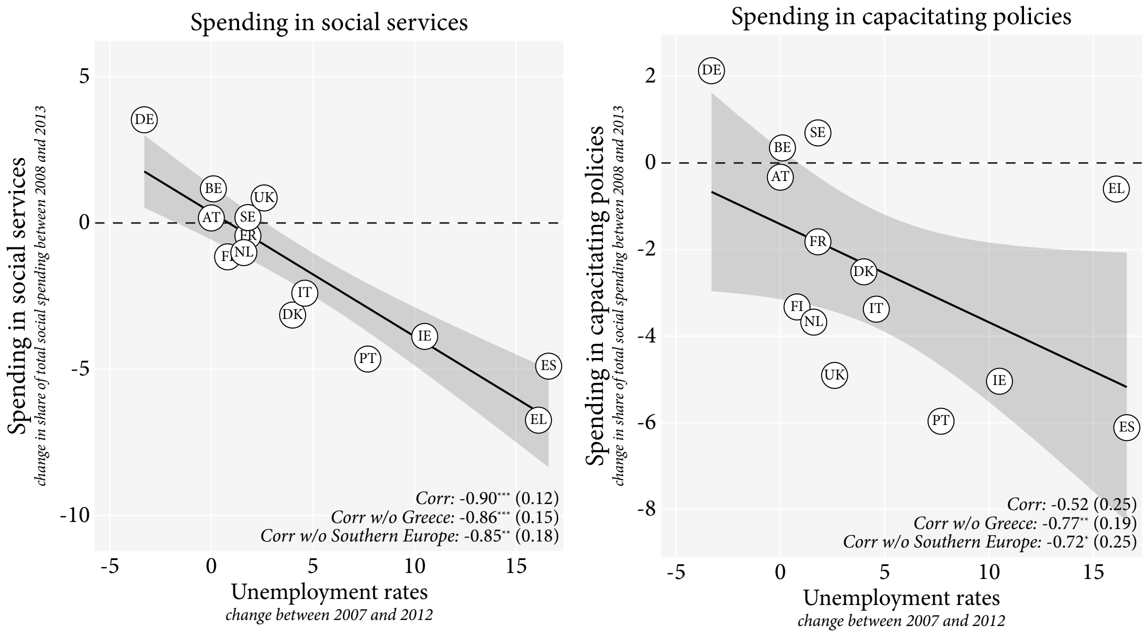
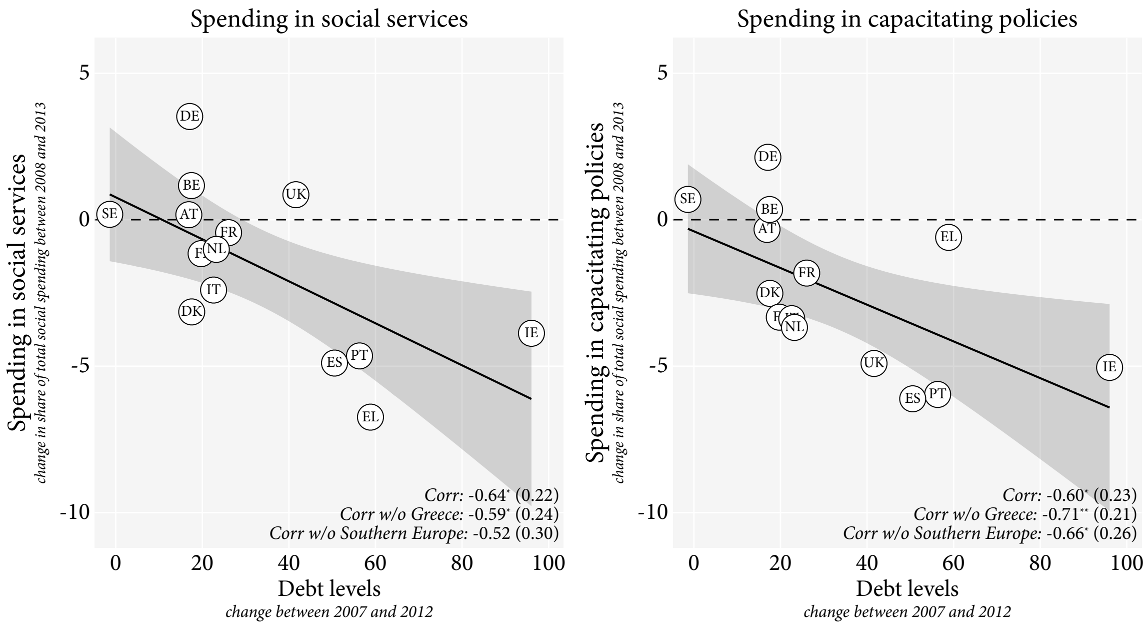


Figure 4.10: Correlation between debt level changes and the composition of social spending between 2007/2008 and 2012/2013



Importantly, the figures show that Greece did undergo extensive retrenchment reforms that disproportionally impacted social services the most (as their welfare state became more transfer-centric). Still, the Hellenic government seemed to cut social spending quite evenly across compensating and capacitating policies. Again, this chapter argues that this stems from the strict conditions of their financial assistance agreements that made widespread cutbacks unavoidable in compensating programmes. In any case, the observed changes in all other countries support the hypothesis without any major outliers.

Taken together, these findings provide a more substantive and nuanced portrait of the politics of the welfare state during the periods marked by significant economic challenges and fiscal pressures. The evidence presented is consistent with the claim that fiscally constrained governments make strategic choices during crises. Faced with limited resources, governments choose not to cut welfare spending that voters most easily perceive and could easily backlash in future elections. Instead of making cuts across the board, they target retrenchment reforms to services and capacitating policies. On the other hand, transfers and compensation policies seem relatively resilient to these challenges. The only exception appears to be Greece which witnessed overarching cutbacks in social efforts, arguably due to the scale of retrenchment reforms the governments had to introduce.

Concluding remarks

This chapter assesses how electorally motivated governments introduce changes to the funding of welfare states when facing intense fiscal pressures to reduce expenditure. Politicians, wary of potential negative consequences, avoid cutting back spending on programmes with visible and short-term benefits, at least to the extent possible. On the other hand, policy programmes that generate either dispersed or long-term benefits seem more susceptible to cutbacks.

The empirical analysis compares spending patterns in social policy areas that generate noticeable benefits (transfers and compensation policies) against less tangible benefits (services and capacitating policies). Leveraging the financial predicaments of the Great Recession (2007 to 2013) in parts of Western Europe, the analysis finds evidence that is consistent with these theoretical expectations. Countries undergoing more financial difficulties experienced more significant cuts in social spending, primarily targeting social services and capacitating policies.

This discussion brings valuable contributions to the literature on welfare politics. It introduces a consequential qualifier to Pierson's (1996) idea that welfare states are resilient to retrenchment. This argument bodes well with the empirical findings of conventional welfare programmes of income replacement. Not so much for predominantly service-based social investment programmes.

In addition to that, these results give credence to the idea that governments consider their electoral motivations when making social policy decisions. Previous studies suggest that governments that need to introduce unpopular cuts try to obfuscate them by delaying the implementation of the reforms (Pierson, 1996; Streeck & Thelen, 2005). They try to frame these reforms as necessary to achieve economic competitiveness and the sustainability of welfare states (Green-Pedersen, 2002; Moury & Standring, 2017).

Governments can also direct cuts to social programmes where the effects are less visible or tossed to the long run to avoid electoral backlash.

Its contributions notwithstanding, the findings still fall short in identifying the causal mechanisms that explain why spending programmes that offer less tanglible benefits are more prone to cuts than programmes with noticible benefits. Government partisanship and institutional characteristics of welfare regimes do not seem to play a role in this regard. However, the evidence is also consistent with other mechanisms that are not electoral *per se*. For instance, governments may choose to prioritise income needs to aliviate more immidiate social needs during economic crises, even if that comes at the expense of postponing investment programmes. Protecting income can also be beneficial for economic recovery as they allow households to maintain purchasing power and generate more private consumption at the aggregate level. Finally, governments may have legal constraints that prevent them to cut mandatory spending, which include social security programmes. Social services such as healthcare and education are discretionary spending items in national budgets, which gives fiscally constrained governments more room of maneuver to cut expenditure levels.

Disentangling the mechanisms behind these government choices is critical to understand why economic and financial pressures produce these diverging effects in different social programmes. Since this analysis focuses on the Great Recession, controlling for these factors would be unfeasible given the restricted number of observations available. Notwithstanding, these findings are still indicative that there is an element of discretion when it comes to spending choices.

If these decisions follow from electoral motivations, then the outstanding questions this disseration ask still remain. Do parties respond to what voters want? Do they keep the promises of their programmatic agendas to make their (winning) constituencies vote them back into office? The following two chapters study each of these aspects of policy representation more thoroughly by leveraging spending patterns over the last twenty years.

Chapter 5

The public and welfare state change: how important issues affect spending in different social programmes

The link between public opinion and policy

From a normative view of democracy, the actions of representatives should closely align with the will of citizens (Mansbridge, 2003). Existing empirical work broadly supports this claim. Previous studies find that, at least in liberal democracies, politicians tend to be responsive to the preferences of the electorate (see Burstein, 2003; Ezrow, 2007; Wlezien, 2020). This chapter builds on this work to explore the extent to which political representatives respond to public opinion on matters related to welfare state change. The central argument developed here is that governments make choices about the generosity of social programmes based on public preferences, primarily because politicians want to get reelected. In what follows, this chapter reviews the literature on government responsiveness to unpack the mechanisms underlying the link between public opinion and policy. It then discusses what research on welfare politics knows about the impact of social policy preferences of the citizenry on the dynamics of welfare state change.

Public opinion and government responsiveness

The scholarly work on government responsiveness argues that elections are the mechanism that allows public opinion to influence policy. For one, elections promote democratic representation between electoral cycles. Voters cast their ballots to the candidates they believe will best deliver the policies they want. Since voters determine who gets elected, the views and policy priorities of the winning candidates should be – at least to a certain extent – akin to those of the public at the time of the vote (Weßels, 2007; Somer-Topcu, 2009).

Furthermore, elections can also make representatives react to public opinion over the course of their mandates (Adams et al., 2005; Wlezien & Soroka, 2012). This is because policy decisions have electoral consequences. Unpopular policies may put politicians at risk come election day, not least because voters look retrospectively to their mandates and vote accordingly (Duch & Stevenson, 2008). Popular policies, on the other hand, may increase their chances of reelection. Politicians thus have strong incentives to reflect the needs and preferences of voters in their policy choices if they want to be returned to office (Strøm, 1990; Adams et al., 2005).

This idea of dynamic representation lays the foundation of what is perhaps the most influential model of government responsiveness in the extant literature: the *thermostatic model* of representation. First introduced by Wlezien (1995), this model suggests that governments adjust their policies following shifts in public opinion. They expand policies when citizens want more of them. They cut them back when the citizenry wants less government intervention. Thus, according to this view, there should be a positive relationship between public opinion and policy activity, as governments follow what citizens want (Wlezien & Soroka, 2012).

For its turn, the electorate resembles a thermostat in that they continuously adjust their preferences to changes in policy (Stimson et al., 1995; Wlezien, 1995). Crucially to this view, citizens rarely have an ideal spending level. Instead, they make judgements about the direction in which government activity should move relative to the current policy. For instance, if politicians expand policy, then public preferences for more policy should decline to offset the shift in the *status quo*. Therefore, this view expects negative feedback of public opinion on what the government does, as changes in mass preferences run in the opposite direction of policy changes (Wlezien & Soroka, 2012).

A large body of empirical research applies this thermostatic model of representation to explore how opinion affects policy and how the citizens react to policy changes (see Burstein, 2003; Wlezien & Soroka, 2012; Wlezien, 2020). This chapter focuses on the first part as it fits the theoretical interests at hand: whether public preferences impact the generosity of social programmes. Indeed, these empirical studies find corroborating evidence of a positive relationship for an opinion-policy link. Nevertheless, this relationship is by no means unequivocal.

For one, politicians seem to respond more readily to problems that enjoy public attention. These studies find that political parties are more likely to address salient issues in electoral campaigns, in their discourses, and when making policy (Hobolt & Klemmensen, 2008; Bonafont & Palau, 2011; Spoon & Klüver, 2014; Wagner & Meyer, 2014; Klüver & Spoon, 2016). These findings hinge on the premise that voters need to be sufficiently informed about what their representatives do to hold them accountable (Jones, 1994). Given the complexity of political life, the cognitive resources required to process information across all domains of political life are unrealistically high. Thus, citizens focus primarily on a handful of issues that they consider most important. This creates strong incentives for governments to respond to clear-cut and highly salient issue domains. Existing evidence even suggests that parties also address issues they do not own if there is fierce public scrutiny (Damore, 2004; Klüver & Sagarzazu, 2016). Nevertheless, this also means that parties have more leeway to pay less attention to what citizens want in less salient areas.

Government institutions also appear to play a role in mediating government responsiveness. Previous research points that politicians in federal systems are less responsive to public opinion than those in centralised systems (Wlezien & Soroka, 2012). In federal systems, actors across multiple government levels often get to have their say in specific policy domains. In these cases, governments enjoy a reduced capacity to change policy (Tsebelis, 1995). This makes it harder to respond to shifts in public opinion promptly. Not only that, but the involvement of multiple actors in policy-making also blurs the clarity of political responsibility. To hold their representatives accountable, voters need to clearly identify who is to blame and take credit for policy (Powell Jr & Whitten, 1993). If policy responsibility is ambiguous, governments may be more insulated from the voter scrutiny come election day, thus generating fewer incentives to reflect public opinion in their decisions.

These studies also suggest that parliamentary systems seem less conducive to dynamic responsiveness than presidential systems (Hobolt & Klemmensen, 2008; Wlezien & Soroka, 2012). At first, these conclusions appear to contradict the previous argument as decision-making in presidential systems is often more deliberative, with a strong balance between legislative and executive powers. Notwithstanding, a more nuanced look at these regimes offers some compelling explanations for these findings. First, executives in parliamentary systems are indirectly elected. Thus, they need to respond not only to voters but also to legislatures as their direct principals (Strøm, 2000). Second, parties in parliamentary systems usually govern in coalitions. For coalition governments, changing policy means reaching compromises between incumbent parties, often in close-doors negotiations. Thus, these governments have less capacity for policy change and make it harder for voters to attribute political responsibility to the actions of individual incumbent parties (Toshkov et al., 2020). Again, politicians in these regimes have fewer incentives to respond to public opinion and instead follow their own policy agendas. This may explain why existing research finds democratic representation between electoral cycles higher but dynamic representation lower in parliamentary regimes (Hobolt & Klemmensen, 2008; Wlezien & Soroka, 2012).

In sum, it seems that governments in liberal democracies are to a certain extent attentive to what citizens want and shape public policy accordingly. The salience of issues and political institutions are also critical factors that can affect their incentives to respond to public opinion. Then, the outstanding question is how do these theoretical expectations travel to the domain of welfare policy.

Public opinion and welfare state change

The existing scholarship has developed an extensive body of research on the political dynamics of welfare state change. Yet, much of its attention is directed towards institutional and policy constraints, the role of political parties and interest groups, and the socioeconomic structures of advanced democracies (see Esping-Andersen, 1990; Pierson, 1996; Beramendi et al., 2015). Comparative work on the role of public opinion on social policy remains relatively underdeveloped within this scholarly tradition (Kenworthy, 2009; Raven et al., 2011). This is especially surprising given that the three most influential theories on welfare politics implicitly point towards a link between the electorate and the developments of welfare states.[1]

The *old-politics* literature alludes to the democratic representation of broad electoral constituencies with strong preferences for public social protection. These studies suggest that the working and the middle classes – to different degrees between countries – mobilised around mass political parties during elections to bring their struggles to the political arena. These parties conveyed their interests in government, forging class compromises that resulted in the rapid expansion of welfare states (Korpi, 1983; Esping-Andersen, 1990).

For its part, the *new politics* literature suggests a more dynamic influence of the public on government decisions. This approach builds theoretical expectations about how politicians listen to the citizenry, pretty much on par with public opinion studies. Crucially, they introduce the idea that political parties have electoral motivations to keep delivering popular social policies for their constituents while avoiding unpopular policies that may endanger their chances of reelection (Pierson, 1996).

Notwithstanding, this approach has different expectations about how citizens react to policy changes. In the domain of welfare policy, the public seems not to respond thermostatically to what the governments do. Instead, social policy preferences follow self-reinforcing positive feedback processes. Social programmes deliver benefits to broad segments of the citizenry that then develop vested interests in protecting their rights. This self-reinforcing logic alters the dynamics of welfare politics, making governments less likely to cut benefits if it conceivably hurts their chances of reelection (Häusermann et al., 2013).

Lastly, the *new partisanship* literature also conveys an electoral link between citizens and parties. Notably, these studies explore how structural changes in post-industrial economies affect mass preferences and how parties recalibrate their welfare agendas accordingly. They find that citizens develop more diversified social policy preferences owing to more heterogeneous social needs (Häusermann et al., 2015; Garritzmann et al., 2018). Contrary to the political dynamics of the post-war period, attitudes over more or less government activity do not entail generalised support for welfare states. Instead, individuals increasingly build their welfare preferences around policies that best respond to the social problems they consider important. These more diversified attitudes materialise into new lines of political conflict, with parties seemingly adapting their welfare platforms to win over parts of the electorate (Fleckenstein, 2011) and compete with other parties (Manow et al., 2018; Abou-Chadi & Immergut, 2019).

[1] Chapter 2 offers a thorough literature review on the major theories of welfare state change.

Strong theoretical expectations notwithstanding, empirical research explicitly linking opinion to social policy remains quite limited. Still, the few existing contributions bode well with the findings of *public opinion* studies. For instance, Brooks & Manza (2006a,b) find evidence suggesting that social policy preferences are positively associated with aggregate welfare spending levels. This impact appears to be particularly strong in Nordic and continental Europe compared to liberal countries, given their higher support for public social provision.

Abou-Chadi & Immergut (2020) also show a positive link between mass preferences and social expenditure. Not only that, they find that political institutions play a critical role in moderating this relationship. Governments seem to be less responsive to the citizens in the presence of multiple veto points that can block social policy initiatives. Conversely, they appear to listen to the public more readily when electoral competition is high. In these cases, incumbent parties have higher incentives to follow what citizens want if they want to keep office.

These contributions, however important, focus only on aggregated public preferences and aggregated social benefits. Therefore, they leave out more nuanced arguments about welfare state change identified in recent work within the *new partisanship* literature. Arguably one of its most critical insights is that governments do not respond to general public orientations about more or less social policy but rather to separate preferences over which social programmes should they prioritise.

Indeed, some recent studies find that governments respond differently in distinct domains of social policy. The political influence of welfare constituencies appears to be a key determinant in this regard. Bartels (2015) shows that politicians respond primarily to the preferences of more affluent citizens when making social policy. Similarly, Raven et al. (2011) find that governments generally listen to what citizens want only in new policy programmes such as childcare and active labour-market policies. This is not the case for conventional welfare schemes that cover pensions, disability and sickness. These programmes are highly institutionalised and benefit well-protected constituencies with organised interest groups (Pierson, 2001). Governments, in these cases, are much more constrained to past policy commitments, leaving little leeway to introduce policy changes that follow the mood of the larger electorate.

While these analyses introduce crucial distinctions on the policy side, they continue to grasp aggregate welfare preferences only. This chapter brings its contribution here, offering a more nuanced depiction of public opinion on matters related to social policy. The discussion above highlights two critical facets of citizen preferences over welfare states. The first is whether citizens want their representatives to do more or less to increase their social and economic well-being. It taps into general attitudes about the role governments should have in intervening in the economy and addressing social needs. The second facts concerns which specific social issues citizens care about the most at any given point. These could include, among other things, the levels of unemployment, the well-being of the elderly, the quality of healthcare services or the education system.

Government responsiveness should then mirror these patterns. Electorally motivated governments are encouraged to follow the public mood for more or less government activity. However, they are not expected to change things across all social policy areas. They set in motion policy changes to welfare programmes that respond precisely to the leading social concerns of the citizenry at a specific time. This discussion leads to the following theoretical expectation:

Hypothesis 5.1 *Government spending on social programmes increases when the salience of related social issues is high, but only when citizens are favourable to broader government intervention in the economy.*

Methodology

This chapter tests this hypothesis in fourteen western European democracies, from 2003 to 2018.[2] Crucially, this case selection pools together Northern European, Anglo-Saxon, Continental, and Southern European countries (Esping-Andersen, 1990; Ferrera, 1996). This allows the empirical analysis to explore the theoretical expectations across the specific institutional contexts of various welfare regimes. At the same time, the window of observation leverages an extensive period that spans across multiple legislatures in each country. For its part, this makes it possible to look into the relationship between public opinion and social spending priorities under the presence of different governments with varying economic and welfare orientations.

The analysis brings into focus the social policy areas of unemployment, pensions, healthcare, and education. These programmes are linked to issue-specific concerns of voters while still covering a wide array of functions associated with the welfare states of advanced industrial economies. Not only that, but they differ in two key factors that can potentially affect the ability of governments to respond to what voters want.

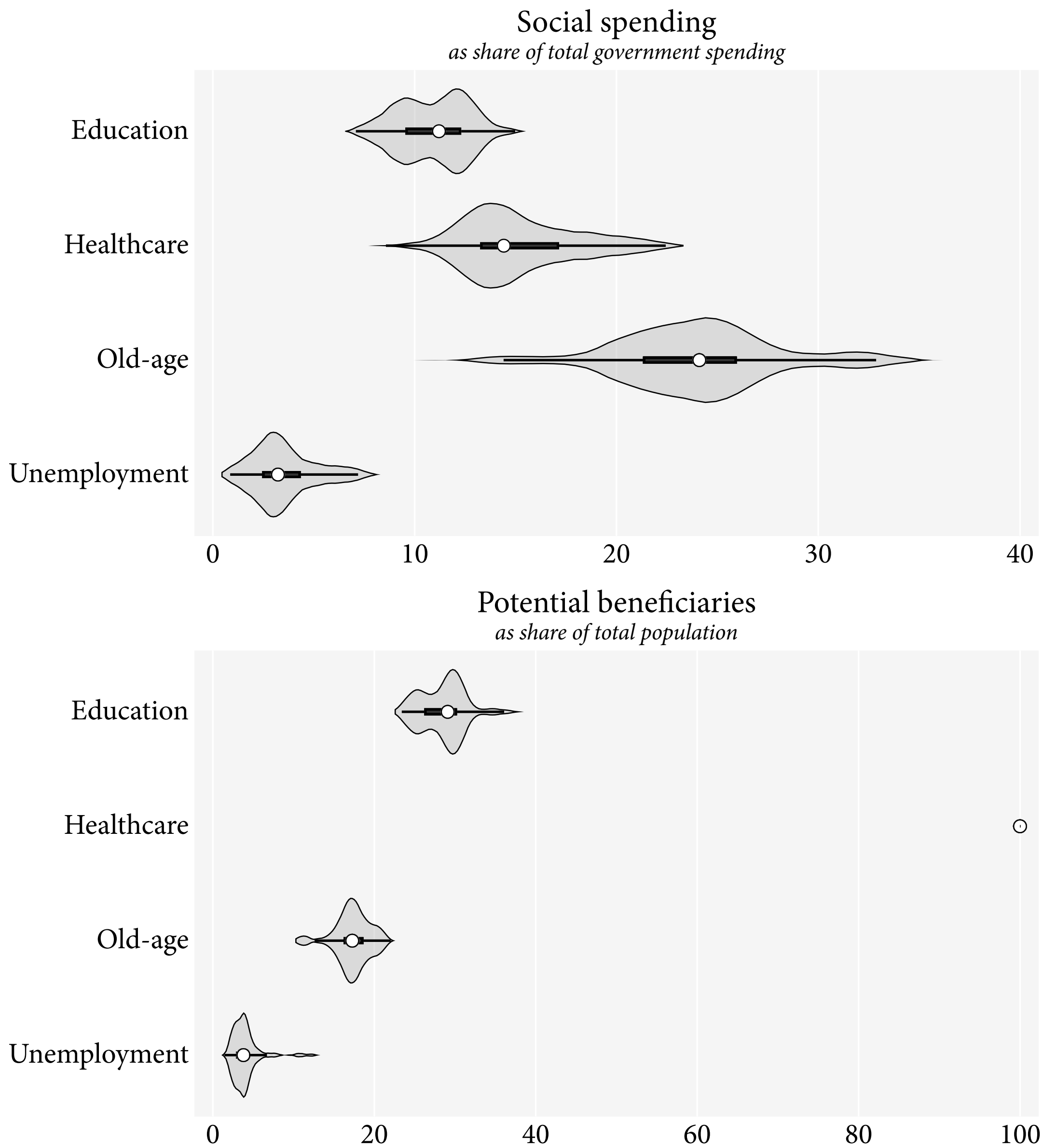
The first is that they target distinct segments of the electorate that vary in size and political influence. The scope of social programmes is likely to introduce electoral impediments for governments to pursue unpopular reforms. This is because cutting down on welfare benefits of broad and politically organised groups entails more electoral risks than cutting on those of socioeconomic groups that are smaller in size and politically disengaged (Jensen, 2012). The second factor is that they weigh differently in government spending accounts. The size of the welfare programmes is expected to place financial impediments to widening spending efforts. This is because funding a material expansion of social policies that already

[2] The countries included in the analysis are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

consume a large share of the government budget implies a more significant financial burden than those using fewer resources. Therefore, the size also constraints the ability governments have to introduce changes in policy programmes.

A look at Figure 5.1 reveals that unemployment policies are small in size and scope when compared to pensions, healthcare, and education. In principle, this means that governments should have fewer impediments in cutting down unemployment benefits, but also fewer incentives to expanding these social rights. In line with previous studies (e.g. Jensen, 2011a; Bandau & Ahrens, 2020), this means that government partisanship (i.e., indirect representation) may play a more prominent role in defining the direction of policy outputs. However, these differences make governments less likely to respond dynamically to shifts

Figure 5.1: Size and scope and social programmes



in public opinion because changes to unemployment policies should be less likely to make or break future elections.

In any case, the case selection makes available about 210 observations for each of the four welfare programmes. Given the number of data points, the chapter makes use of regression analysis for the empirical analysis. It employs separate cross-national, time-series linear models to test the theoretical expectations in each issue-policy dimension.

The dependent variable grasps changes in government spending in each policy programme. For their turn, the independent variables gauge (1) citizens' attention to the social issues related to this policy area and (2) their mood for government intervention in the economy. All models include an interaction term between these two variables. This term tests the hypothesis depicted above, as it allows the impact of the salience of social issues on spending changes to depend on the public mood for government activity. The models also introduce an additional vector of control variables that act as potential confounders for the theoretical interest at hand.

All model specifications have fixed effects and Huber-White clustered standard errors. Crucially, this strategy controls for structural effects at the country level while providing statistics that are robust to possible within-country correlation patterns in the error terms. It also removes the need to include control variables for all potentially relevant institutional characteristics that previous comparative studies find to influence welfare state change and government responsiveness. Notice that the main theoretical interests centre on public opinion and not the (moderating) impact of institutions. Fixed effects account for these factors while allowing models to remain as parsimonious as possible. The following paragraphs discuss the operationalisation of the variables used here.

The dependent variables

The dependent variables capture changes in government spending on welfare programmes over time. The spending levels are all measured in constant prices. This approach is preferred to using Purchasing Power Standards in this case because the main concern here centres around fluctuations over time within each country and not cross-country comparisons. These variables are also adjusted to the potential target population of the policy area in question as depicted in Table 5.1.

The use of first differences is a common practice in public opinion studies. It effectively deals with auto-correlation that is often present in these type of data. Most importantly, however, it conforms better to the expectations of government responsiveness, focusing on shifts in the policy *status quo* and not actual expenditure levels. The measurement strategy largely hinges on this approach, albeit with some modifications.

For one, the first differences are not calculated using a 1-year interval as in most previous research. Welfare reforms can take some time to materialize (Streeck & Thelen, 2005). Year-over-year differences are often too narrow to capture what governments do with social policy meaningfully. This is a well-known issue within the welfare scholarship. Some authors propose running separate analyses on variables that capture changes over longer time intervals (see Raven et al., 2011; Breznau, 2015). This is precisely the strategy employed here. The dependent variables measure changes in spending between the observed independent variables (time t) and subsequent years $t + 1$, $t + 2$, and $t + 3$. Arguably, this strategy offers a good balance between a more comprehensive look at reforms with slower roll-out while still offering a meaningful picture of short-term dynamics in government responsiveness.

Furthermore, the dependent variables do not gauge the size of the budget *per se* but rather the generosity of social programmes. This decision to deviate from conventional public opinion studies goes back to the main interests of welfare state literature – to assess the quality of benefits. Previous scholars point that expenditure data can be used for this purpose if adjusted to the extent of existing social needs (Olaskoaga-Larrauri et al., 2010; Kuitto, 2011; Ronchi, 2018). The dependent variables here follow the same approach.

Note that the proxies for social needs, as outlined in Table 5.1, use possible beneficiaries and not actual welfare recipients (Kangas & Palme, 2007). For instance, spending on pensions is divided by the number of individuals who are 65 years old or older, and not pensioners. Similarly, education expenditure is divided by the number of people younger than 24 years old, not students.

Table 5.1: Welfare programmes and their potential beneficiaries

Social programme	Potential beneficiaries
Unemployment	Unemployed population
Pensions	Population aged sixty-five or older
Healthcare	Total population
Education	Population aged twenty-four or younger

This weighting scheme allows the final figures to consistently capture two crucial aspects of social programmes – the size of benefits and eligibility. Consider the case of pensions. Suppose that a government decides to increase the minimum qualifying period to access old-age schemes. This change reduces the number of eligible individuals who can benefit from the programme, even though the protection standards for actual pensioners may remain alternated. This decision constitutes a decline in the generosity of pension programmes. Yet, any measure that sets the number of pensioners on the denominator is not sensitive to these changes.

The variables used here do so, however. They gauge spending efforts in a manner that is responsive to shifts in both the level of benefits and the eligibility criteria (see Allan & Scruggs, 2004; Ronchi, 2018).[3]. Eurostat provides all the social spending, currency, and demographic information required to construct the dependent variables for all welfare functions included in the empirical analysis (European Commission, 2021).

The independent variables

Turning to the independent variables, this chapter measures issue salience with the percentage of individuals in representative surveys of the population consider specific social problems to be affecting their country. This information is available in the Eurobarometer data service for all the time interval of the analysis (European Commission, 2020). The data was retrieved from thirty-eight surveys conducted every six months between 2001 and 2018, asking the following question:

> What do you think are the most important issues facing (our country) in the moment?

Respondents can select up to two options in each round. Among the included alternatives are unemployment, pensions, the healthcare system, and the education system. Crucially, the questions, choices, and order are standardised across all thirty-eight surveys, thus avoiding potential problems concerning series breaks.

For its turn, the empirical analysis hinges on Caughey et al.'s (2019a) work on *Policy Ideology in European Mass Publics* to gauge the citizens' preferences for more or less government activity in the economy. Their study relies on multiple surveys conducted in European countries to build this variable.[4] They gather information on various questions that ask for the opinion of respondents on several topics: (1) whether governments should increase or decrease overall spending, spending on social protection and education, and spending on the poor; (2) whether governments should raise or slash taxes for individuals with high-income, medium-income, and low-income; (3) whether governments should expand or reduce regulations on businesses, and (4) and whether governments should take more responsibility to ensure the well-being of citizens (Caughey et al., 2019b).

The authors then use an item response theory model to combine the answers into an unobserved latent trait, namely the general mood for government intervention in the economy. To ensure cross-comparability among survey questions, they estimate these values across segments of the population rather than at the individual level (Caughey et al., 2019a). The authors calculate these quantities of interest for

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[3] Chapter 3 discusses the measurements strategies outlined here in more detail.

[4] For the period of this analysis, the surveys include the European Social Survey, the International Social Survey Programme, the European Values Survey, Pew Global Attitudes Survey, and some special editions of the Eurobarometer.

each country at each biennium. This biannual data is then unfolded into annual data to fit the country-year structure used in the regression models.

Turning to the control variables, this chapter assesses the programmatic agendas of governments in two theoretically relevant dimensions. The first regards the propensity to intervene in the economy, whereas the second concerns the funding of social policy programmes. The analysis hinges on the manifestos of political parties to compute each of these variables (Krause et al., 2019). Table 5.2 and 5.3 depict the items included in each dimension and whether they are classified into positive and negative orientations.

Table 5.2: Propensity to intervene in the economy (economy orientations)

Positive orientations	Negative orientations
Market regulation (*per403*)	Free market economy (*per401*)
Economic planning (*per404*)	Incentives: positive (*per402*)
Protectionism: positive (*per406*)	Protectionism: negative (*per407*)
Keynesian management (*per409*)	
Controlled economy (*per412*)	Economic orthodoxy (*per414*)
Nationalisation (*per413*)	

Table 5.3: Funding of social programmes (welfare orientations)

Positive orientations	Negative orientations
Equality: Positive (*per503*)	Welfare State Limitation (*per505*)
Welfare State Expansion (*per504*)	Education Limitation (*per507*)
Education Expansion (*per506*)	Labour Groups: Negative (*per702*)
Labour Groups: Positive (*per701*)	

Following a state-of-art approach to scaling policy preferences (Lowe et al., 2011), the observed values for each party correspond to the logarithmic ratio between positive and negative orientations, as described in the following equation:

$$\theta^{(o)} = \ln \frac{m_p + 0.5}{m_n + 0.5}$$

This information is then matched to cabinet composition data available in Parlgov (Döring & Manow, 2020). In the case of single-party governments, the variable takes the observed value of the incumbent. However, in the case of multi-party governments the variable uses the weighted average of all coalition partners. The weight reflects the number of parliamentary seats of every individual party, divided by the total number of parliamentary seats held by all incumbent parties (see Toshkov et al., 2020).

Two variables that grasp governmental capacity to pass policy are also included as controls. The first focuses on cabinet composition, as it distinguishes between single-party and coalition governments. The second looks at the strength of organised interest groups. Here, the analysis uses one indicator from the ICTWSS industrial relations dataset (Visser, 2019) that quantifies the involvement of unions and employers in social and economic policy decisions of governments.

Finally, the models also have two additional control variables frequently used in comparative studies on welfare change. The first is Gross Domestic Product (GDP) *per capita*, measured in Purchasing Power Standards. The second is trade openness, operationalised as the sum of exports and imports as a share of each country's GDP. These figures were calculated using Eurostat data (European Commission, 2021).

As a final note on the empirical strategy, all the independent variables are observed prior to the dependent variable. This ensures that the direction of the relationship in empirical findings follows that of the theoretical expectations. One important note to make here is that the variables gauging government orientations and composition do not follow the country-year structure of the dependent variables. To fit with this structure, the analysis matches data with information of parties in power on the day of parliamentary approval of the national budgets for the fiscal year in question. The dates of budget laws were manually retrieved from the online law repositories of each country (Bundesministerium für Digitalisierung und Wirtschaftsstandort, 2020; Etaamb, 2020; Civilstyrelsen, 2020; Oikeusministeriö, 2020; République Française, 2020; Bundesministerium der Justiz, 2020; Εθνικο Τυπογραφειο, 2020; Irish Government, 2020; Istituto Poligrafico e Zecca dello Stato, 2020; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2020; República Portuguesa, 2020; Agencia Estatal Boletín Oficial del Estado, 2020; Sveriges Riksdag, 2020; The National Archives, 2020).

Findings

Table 5.4 reports the summary descriptive statistics for all the variables used in the empirical analysis. These statistics show some interesting remarks. Starting with the dependent variables, it seems that changes in the generosity of unemployment policies are more volatile than to other welfare programmes. Notice that these figures already control for the extent of social needs, in this case, the number of unemployed people. Thus, in line with the previous discussion, these differences may amount to the electoral and financial barriers that prevent governments from making large-scale reforms in old age, healthcare, and education spending.

Among these three welfare functions, old age policies seem to be remarkably stable. This is also noticeable in the measures of central tendency that suggest no substantive change in spending efforts, even when looking at longer time intervals. Conversely, healthcare and education policies appear to grow over time,

Table 5.4: Summary statistics

	Mean	Median	St. Dev.	Min	Max	Obs
Dependent variables						
Unemployment ($t + 1$)	-0.01	-0.00	0.16	-0.45	1.55	209
Unemployment ($t + 2$)	-0.00	-0.01	0.24	-0.62	1.98	209
Unemployment ($t + 3$)	-0.00	-0.03	0.34	-0.71	2.30	195
Old-Age ($t + 1$)	0.00	0.00	0.03	-0.12	0.13	210
Old-Age ($t + 2$)	0.01	0.00	0.05	-0.15	0.18	210
Old-Age ($t + 3$)	0.01	0.00	0.07	-0.17	0.24	196
Healthcare ($t + 1$)	0.01	0.01	0.04	-0.19	0.14	210
Healthcare ($t + 2$)	0.03	0.02	0.07	-0.27	0.21	210
Healthcare ($t + 3$)	0.04	0.04	0.10	-0.38	0.28	196
Education ($t + 1$)	0.01	0.01	0.04	-0.17	0.17	210
Education ($t + 2$)	0.02	0.02	0.06	-0.28	0.20	210
Education ($t + 3$)	0.03	0.03	0.07	-0.25	0.25	210
Independent variables						
Issue unemployment	0.42	0.42	0.19	0.04	0.81	210
Issue pensions	0.10	0.09	0.05	0.02	0.27	210
Issue healthcare	0.19	0.14	0.13	0.02	0.54	210
Issue education	0.09	0.07	0.07	0.01	0.37	210
Mood	0.35	0.42	0.97	-1.92	2.17	210
Welfare orientations	4.28	4.02	1.59	1.06	7.54	210
Economy orientations	-0.55	-0.52	1.18	-4.32	1.82	210
Trade openness	0.88	0.78	0.39	0.45	2.27	210
GDP per capita	29.05	28.98	5.48	17.53	52.18	210
Corporatism	1.24	1.00	0.70	0.00	2.00	210
Coalition	0.74	1.00	0.44	0.00	1.00	210

even at a relatively slow pace. These patterns can also be seen in Figure 5.2 that shows the distributions for these policy areas get more positively skewed for differences at $t + 2$ and $t + 3$.

The summary statistics also exhibit considerably distinct patterns between the salience of unemployment issues compared to the other three social issues. The concerns citizens across the fourteen countries have about unemployment appear to be more prominent and less stable than the attention about pensions, healthcare, and education. One possible reason why this may be the case is that unemployment concerns tend to fluctuate over time due to economic cycles. In contrast, other issues usually entail more structural concerns about social needs and the sustainability of welfare programmes. Therefore, they tend to be more weakly associated with the winds of public attention to the economy, as Table 5.5 suggests.

Figure 5.2: Distribution of the dependent variables

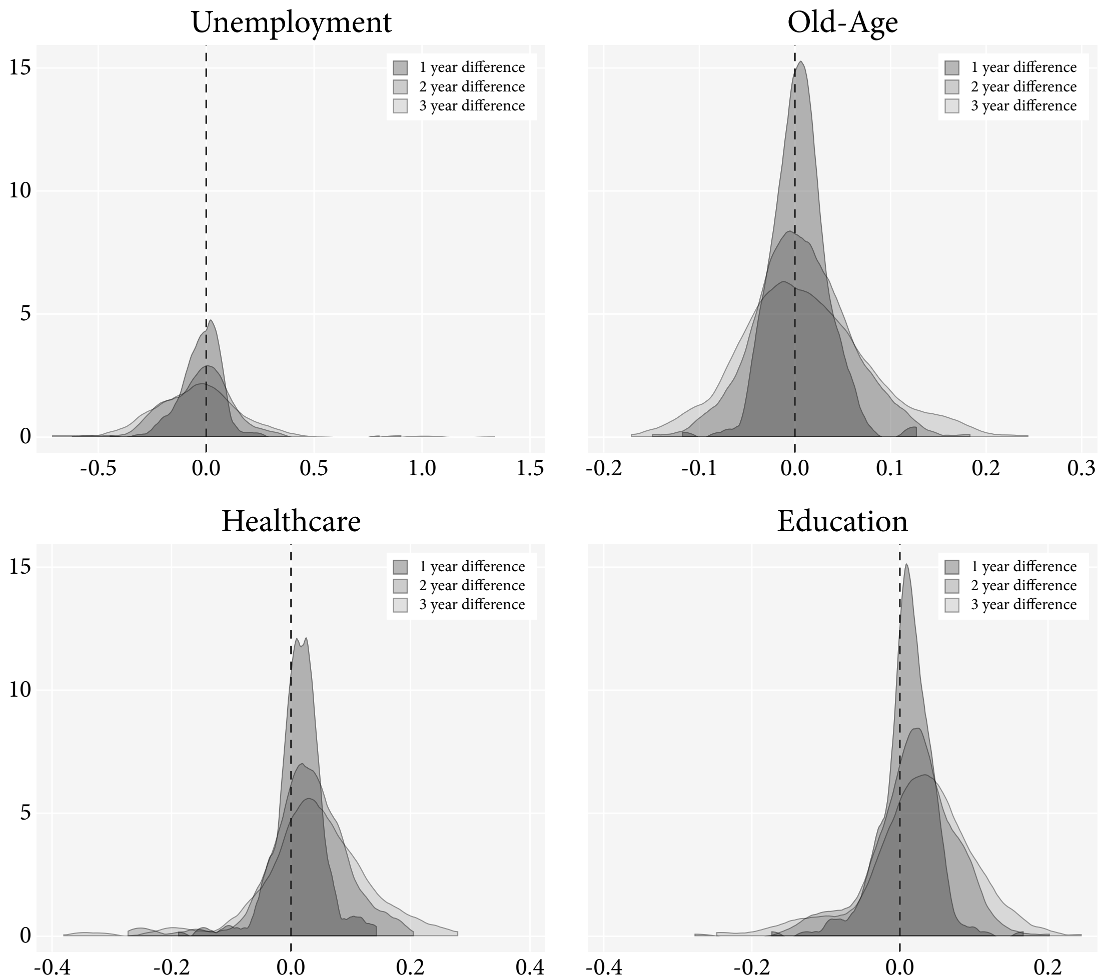


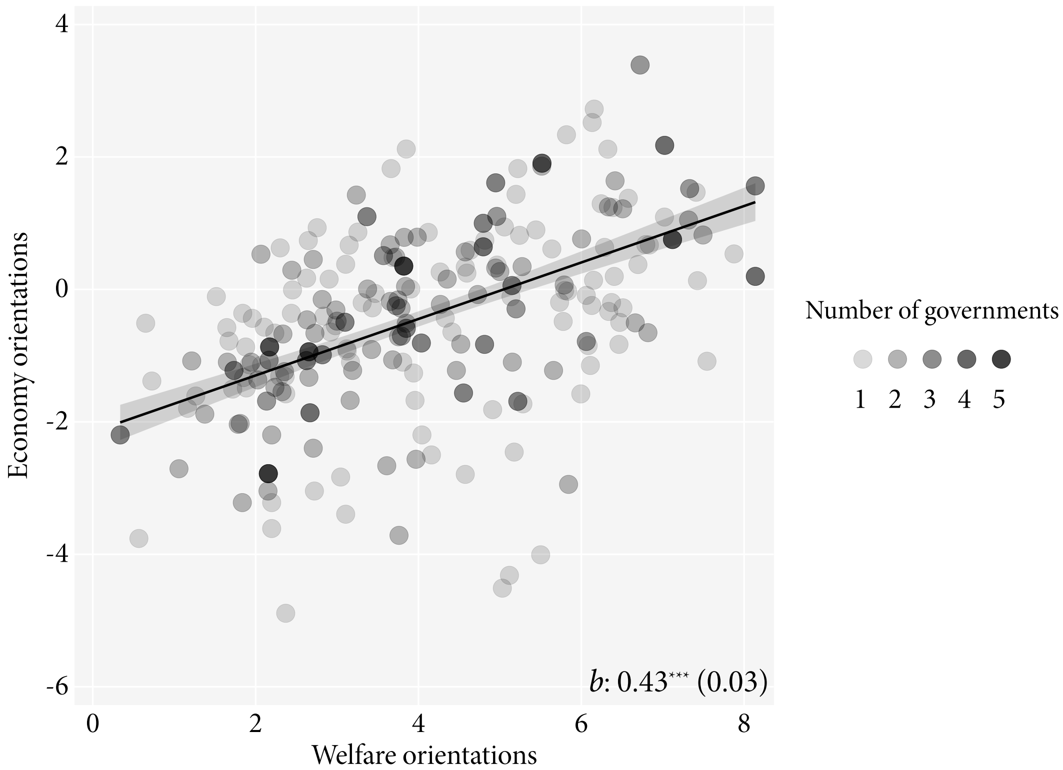
Table 5.5: Correlation between the salience of economic and social issues

	Unemployment	Pensions	Healthcare	Education
Economy	0.53***	-0.17*	-0.32***	-0.27***

The descriptive statistics also highlight some crucial differences between the welfare and the economic orientations of governments. On average, it seems like governments prefer less government activity in the economy, with 142 seeking less intervention and 68 more intervention. In stark contrast, all governments in the sample make more mentions about increasing funding of welfare programmes than references to limit spending.

To be sure, these findings need to be interpreted with caution. Political parties make strategic choices about what to include in their manifestos. They prefer to talk about issues that give them an edge during election campaigns (Klüver & Spoon, 2016; Thomson, 2020). Given that welfare cuts are particularly

Figure 5.3: Relationship between governments' welfare and economic left orientations



unpopular (see Pierson, 1996), parties may choose not to mention welfare cuts and instead frame their proposals in domains they *own*, such as economic growth and competitiveness.

In any case, the variable still captures relevant partisan differences. Its range suggests that vocal support for welfare varies considerable, more so than the orientations about the role of governments in the economy. In addition to that, Figure 5.3 indicates that both dimensions are significantly associated with each other. This is not particularly surprising given that these two orientations about economic left and the funding of welfare states traditionally go hand-in-hand. Notwithstanding, the relationship is substantively weak capturing only 12 percent of the total variation between both variables.

This figure shows rather convincingly that the government orientations towards relevant policy dimensions of welfare are rather independent from each other. This highlights why is it important to consider them separately, as using only ideological labels or left-right ideology may mask a large degree of heterogeneity between governments that otherwise would be classified similarly (see Döring & Schwander, 2015).

Discussion

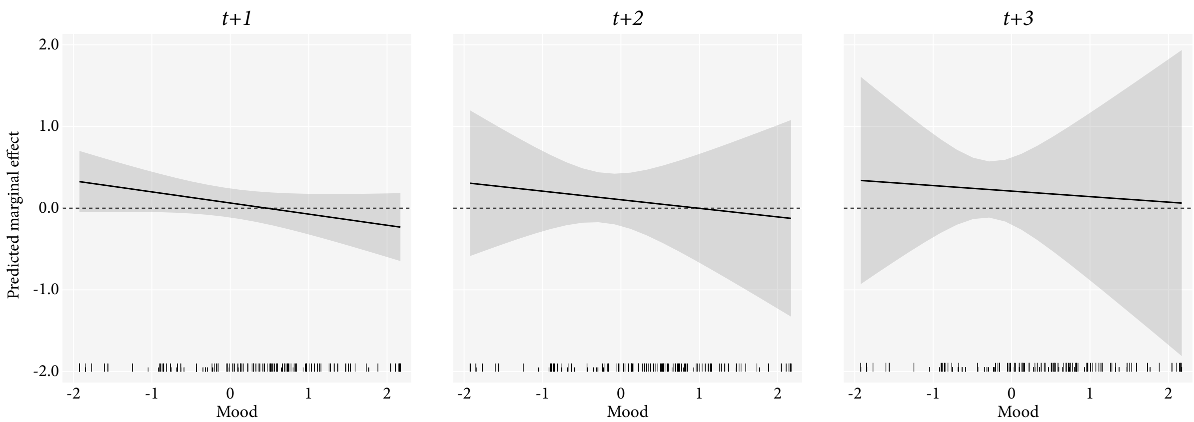
Tables 5.6 to 5.12 report the results of the regression models for the four social policy areas in focus. Given the number of models presented here, they only report the results for the main independent variables,

Table 5.6: Regression models: unemployment policies

	$t+1$	$t+2$	$t+3$
Issue unemployment	0.06	0.10	0.21
	(0.09)	(0.16)	(0.21)
Mood	0.05	0.00	-0.02
	(0.05)	(0.14)	(0.21)
Issue unemployment × Mood	-0.14	-0.11	-0.07
	(0.09)	(0.25)	(0.38)
Welfare orientations	0.01	0.00	-0.01
	(0.01)	(0.02)	(0.03)
Economy orientations	-0.05	-0.08	-0.12
	(0.03)	(0.05)	(0.08)
Controls	Yes	Yes	Yes
Fixed effects	Yes	Yes	Yes
N	209	209	195
Countries	14	14	14
Adj. R^2	0.06	0.09	0.14
Prob > F	0.03	0.02	0.01

Country-clustered standard errors in parentheses.
* $p <= 0.05$, ** $p <= 0.01$, *** $p <= 0.001$

Table 5.7: Marginal effect of the salience of unemployment issues on government spending in unemployment programmes



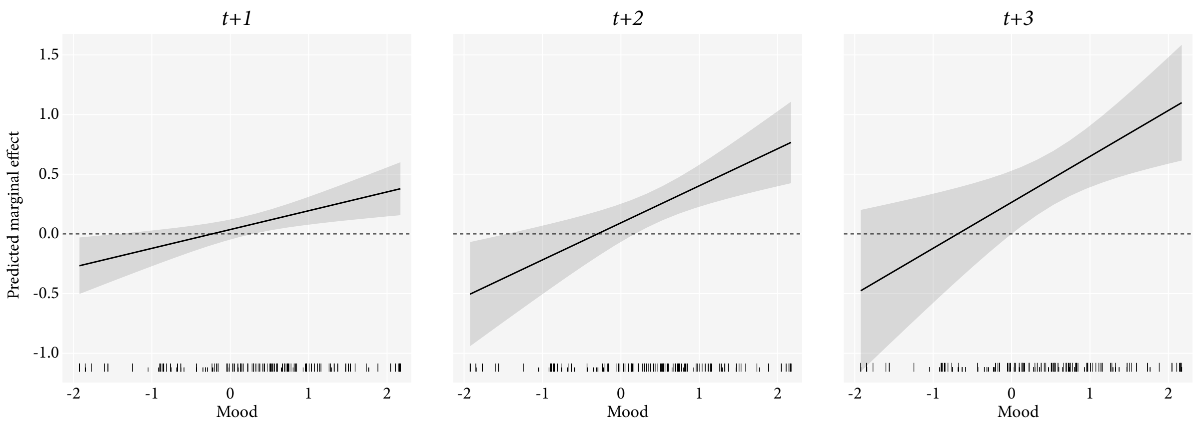
that concern public opinion and government orientations. Other control variables were still added to the models but not shown here. These tables also include the interaction terms that measure the impact of issue salience on social spending efforts, depending on whether citizens approve broader government intervention in the economy. To facilitate their interpretation, they are plotted in Figures 5.7 to 5.13.

Table 5.8: Regression models: old-age policies

	$t + 1$	$t + 2$	$t + 3$
Issue pensions	0.04	0.09	0.26
	(0.04)	(0.08)	(0.13)
Mood	-0.02	-0.03	-0.02
	(0.01)	(0.03)	(0.04)
Issue pensions × Mood	0.16*	0.31**	0.38*
	(0.05)	(0.09)	(0.13)
Welfare orientations	0.01*	0.01	0.01
	(0.00)	(0.00)	(0.01)
Economy orientations	-0.01*	-0.01*	-0.01
	(0.00)	(0.00)	(0.01)
Controls	Yes	Yes	Yes
Fixed effects	Yes	Yes	Yes
N	210	210	196
Countries	14	14	14
Adj. R^2	0.20	0.27	0.27
Prob > F	0.00	0.00	0.00

Country-clustered standard errors in parentheses.
* $p <= 0.05$, ** $p <= 0.01$, *** $p <= 0.001$

Table 5.9: Marginal effect of the salience of pension issues on government spending in old-age programmes



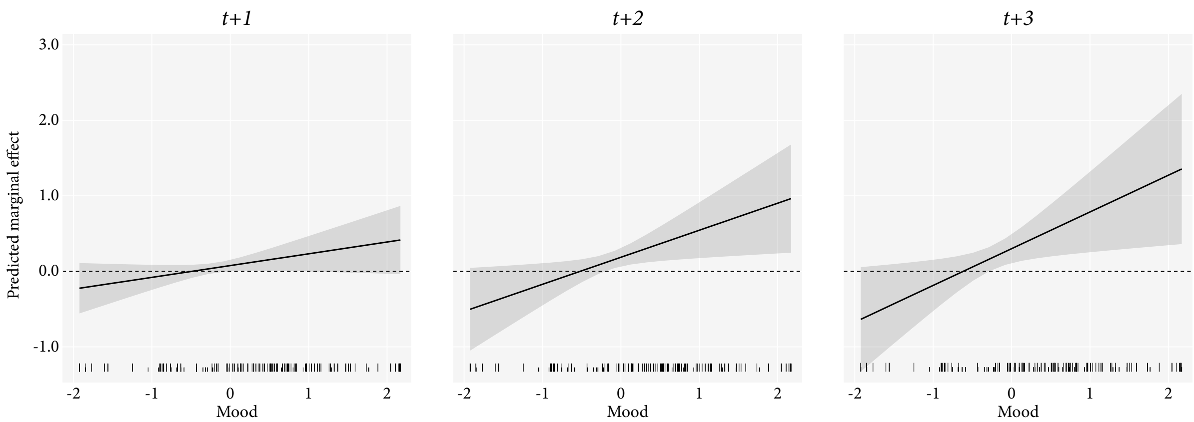
The observed relationship of these interaction effects bodes well with the hypothesis depicted above at least for old age, healthcare, and education programmes. Welfare expenditure appears to go up when two factors comes into play at the same time: (1) when citizens pay attention to social issues related to these policy areas, and (2) when they support more government activity for addressing those problems. This impact seems to be quite substantive for these three policy functions. When the public mood is at

Table 5.10: Regression models: healthcare policies

	$t+1$	$t+2$	$t+3$
Issue healthcare	0.08	0.19*	0.30**
	(0.04)	(0.06)	(0.10)
Mood	-0.04	-0.08	-0.09
	(0.02)	(0.04)	(0.05)
Issue healthcare × Mood	0.16	0.36*	0.49*
	(0.10)	(0.16)	(0.21)
Welfare orientations	0.00	0.00	-0.01
	(0.00)	(0.01)	(0.01)
Economy orientations	-0.01*	-0.02*	-0.02*
	(0.00)	(0.01)	(0.01)
Controls	Yes	Yes	Yes
Fixed effects	Yes	Yes	Yes
N	210	210	196
Countries	14	14	14
Adj. R^2	0.16	0.23	0.24
Prob > F	0.05	0.01	0.00

Country-clustered standard errors in parentheses.
* $p <= 0.05$, ** $p <= 0.01$, *** $p <= 0.001$

Table 5.11: Marginal effect of the salience of healthcare issues on government spending in healthcare programmes



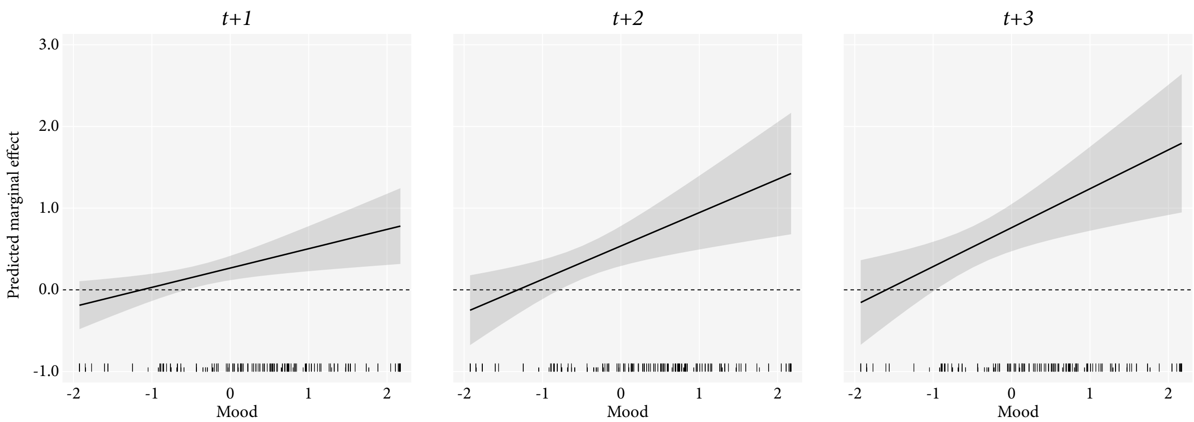
its highest, the models covering year-over-year changes predict that a percentage-point increase in issue salience is associated with an expansion of spending efforts of 0.16 to 0.6 percentage points for the case of pensions and 0.32 to 1.24 for education. The healthcare model also follows the expected direction when focusing on these annual changes, even though coefficients are not significant at the 95% confidence interval.

Table 5.12: Regression models: education policies

	$t+1$	$t+2$	$t+3$
Issue education	0.27**	0.54***	0.76***
	(0.08)	(0.12)	(0.15)
Mood	-0.04*	-0.07*	-0.09*
	(0.02)	(0.03)	(0.03)
Issue education × Mood	0.24*	0.41*	0.48**
	(0.09)	(0.14)	(0.16)
Welfare orientations	0.00	0.00	0.00
	(0.00)	(0.00)	(0.01)
Economy orientations	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.01)
Controls	Yes	Yes	Yes
Fixed effects	Yes	Yes	Yes
N	210	210	210
Countries	14	14	14
Adj. R^2	0.10	0.17	0.21
Prob > F	0.01	0.00	0.00

Country-clustered standard errors in parentheses.
* $p <= 0.05$, ** $p <= 0.01$, *** $p <= 0.001$

Table 5.13: Marginal effect of the salience of education issues on government spending in education programmes



Nevertheless, the models looking into longer time intervals suggest that healthcare expenditure significantly increases when citizens are both attentive to healthcare issues and willing to have more government activity. The same applies for old-age and education. These findings highlight the need to model changes over more than one year instead of following the conventional approach in *public opinion* studies that focus on annual changes in budget levels. These models show a strong and consistent relationship over longer intervals, adding yet another piece of evidence for previous studies that suggest that policy change often takes time to be realised (Streeck & Thelen, 2005; Starke, 2006; Deken & Kittel, 2007).

Now let's turn the focus to the lower range of the distribution of the mood variable. Here, the results suggest that the relationship between issue salience and spending is not statistically different from zero for all policy programmes, except for pensions in $t+1$ and $t+2$. However, even in these cases, the estimated impact appears not to be that meaningful, at least compared to the size of coefficients when public preferences are more acquiescent to government activity. Again, this bodes well the theoretical expectations depicted above, which predict a substantive impact of issue salience only when citizens favour broader government intervention in the economy.

For all these findings, the results of unemployment models do not follow the hypothesised relationship depicted above. It appears that spending efforts in unemployment programmes are not associated with the issue salience of unemployment issues. Not only that, this seems to be the case regardless of how much the electorate wants more government activity or not. These same conclusions apply to models looking not only at annual changes but also to changes over two and three years.

These findings are not surprising though, given that governments are expected to have fewer incentives to follow public opinion. Coming back to the discussion, unemployment policies target small and not-organised segments of the electorate, which insulates incumbent parties from electoral backlash in case they take unpopular decisions. Theoretically, this may also suggest that governments should have more leeway in shaping the generosity of these programmes according to their agendas. However, the results do not support this expectations, as the coefficients for welfare and left orientations are small and not significant. In any case, they add to other evidence that highlights that welfare state change behaves differently in the case of unemployment programmes compared to life-course policies (Jensen, 2012).

Programmatic orientations also do not seem to play a critical role in government responsiveness overall. In the case of pensions, healthcare, and education policies, the coefficients for both the economic left and the welfare variables are very small, often missing appropriate significance levels, and showing no clear pattern that fits sounds theoretical expectations. This evidence contradicts the conclusions of *public opinion* studies that find indirect government responsiveness to be more assertive in parliamentary democracies, which is incidentally the regime of the countries included in the sample (Hobolt & Klemmensen, 2008). Notwithstanding, it does fit well with the welfare scholarship tradition that finds that the ideology of parties in government seems to matter less after the *golden-age* of welfare state expansion (Pierson, 2001), at least for the big life-course programmes (Bandau & Ahrens, 2020).

In any case, this is not to say that parties are not responsive to what the public wants. On the contrary, the evidence presented here suggests that they are, but that there is no significant difference between governments with different social policy and economic orientations. They follow the public to the same extent.

Of course, this is just a tentative piece of evidence, which still needs to be explored. These models just include government variables as linear terms as they are not a central part of the expectations. Further investigations of how the two dimensions interact with each other and with public preferences offer a promising avenue of research for the welfare state literature. The next chapter will explore these dynamics in more detail. It tries to disentangle the exact relationship between government orientations and spending in the case of unemployment programmes, which arguably offer the most likely scenario capture the effects of partisanship (Jensen, 2011a).

Concluding remarks

This chapter seeks to understand whether governments respond to what the public wants in terms of social policy. It starts with the hypothesis that government expenditure on welfare programmes depends on the importance of social issues and the public mood for government intervention in the economy.

The empirical findings here are generally supportive of this hypothesis. In the case of old age, healthcare, and education programmes, the salience of related social issues appears to increase public spending when citizens approve of more government action. This effect fades away when their policy mood cools down. Crucially, these expectations work well across multiple issue-policy domains and models that capture different intervals. This offers robust evidence that governments react to the preferences of the electorate in the realm of social policy, at least in programmes that target large segments of voters.

Nevertheless, this appears not to be the case for unemployment programmes. It turns out that government efforts in this policy area do not directly correlate with how much citizens care about unemployment and whether they seek more or less government intervention in the economy. Referring back to previous studies, this does not seem surprising given that unemployment policies benefit comparatively small and non-organised parts of the electorate (Jensen, 2011a). As such, governments have less electoral motivations to respond to public concerns about unemployment by bolstering the social rights of jobless people.

Given that unemployment issues are usually the result of underlying economic problems, governments enjoying a favourable public mood may prefer to invest in other social policy areas that can generate positive macroeconomic effects (see Przeworski, 1986). This argument opens exciting avenues of research for future work on public opinion and social policy change by exploring policy complementarities within welfare states (see Hemerijck, 2013).

Having said that, these possible explanations do not adequately explain what makes governments change unemployment policies. This is a fascinating topic by itself, given the strides in policy innovation during the past few decades, especially within the realm of active labour-market policies (ALMPs)

(Bonoli, 2013; Vlandas, 2013). To be sure, existing studies suggest that government partisanship matters when it comes to the generosity of unemployment benefits (Jensen, 2011a; Bandau & Ahrens, 2020) and ALMPs (Rueda, 2006). Nevertheless, the findings presented in this chapter appear to be at odds with this reasoning, as government orientations for economic activity and the funding of welfare states appear not to affect subsequent changes in social spending.

To shed some light on this issue, the next chapter will explore the role of government ideology on spending priorities in unemployment policies. This narrower focus presents two advantages. First, a more lengthy discussion about how to adequately capture government ideology, including possible interactions between general attitudes on government intervention in the economy and specific welfare orientations. Second, how partisanship affects different subcomponents of unemployment programmes rather than their overall generosity.

Chapter 6

Political partisanship and welfare change: the politics of social policies for the unemployed

Do government preferences affect social policy? This question has received significant scholarly attention over the last decades (Starke, 2006; Häusermann et al., 2013). Earlier studies generally agree that the ideological composition of governments played a central role in the development of modern welfare states (Esping-Andersen, 1990; van Kersbergen, 1995). Notwithstanding, the impact of partisanship in mature welfare states is a more contentious matter. Existing research suggests that parties in government have a limited influence on social policy on the back of fiscal constraints, past policy commitments, and electoral pressures (Pierson, 2001). Not only that, governments – independently of their ideological leanings – appear to respond to what the public wants in key social programmes, including pensions, healthcare and education (see Chapter 5).

However, this reduced impact is by no means unequivocal. Political parties still shape social policy even if constrained by external factors. For one, governments appear to have considerable discretion in labour-market policies (Jensen, 2011a; Bandau & Ahrens, 2020). Furthermore, parties can make minor policy adjustments over time (Streeck & Thelen, 2005) and use blame avoidance strategies to implement their agendas while minimising electoral risks (Green-Pedersen, 2002; Vis, 2016).

Scholars also identify conceptual problems, drawing attention to inadequate measures of government partisanship (see Döring & Schwander, 2015). Most empirical research still uses party labels or left-right scales to categorise political parties. These measures are inadequate as a proxy for welfare attitudes because they do not capture what particular social programmes parties prefer (Döring & Schwander, 2015; Horn, 2017).

This chapter engages with this debate arguing that party preferences fall alongside two dimensions. First, general attitudes about *how much* governments should offer social policy. They capture the classic left-right conflicts about the role of states in the economy and reducing inequality. Second, specific orientations about *what kind* of policy should they deliver. These second orientations may relate to specific programmes like healthcare or education or broader welfare models like welfare recalibration or welfare chauvinism.

This idea offers the starting point for the empirical analysis presented here, which focuses on social policy for the unemployed. These include compensatory schemes and active labour-market policies (ALMPs). This chapter argues that left-wing governments invest more in these programmes than those to the right, but only when they have more conventional attitudes toward welfare. Strong advocates for welfare recalibration should prioritise ALMPs regardless of their left-right leanings.

The rest of this chapter is organised as follows. The first section identifies the different social policies that benefit jobless people. The second turns to the literature on welfare politics to explore how partisanship affects the generosity of social programmes in general. It then focuses specifically on unemployment programmes. The third section delves into the debates about how to conceptualise government partisanship. It discusses the advantages of the approach developed here compared to the existing measures used in recent comparative research. The last two sections present the empirical analysis. The fourth goes through the empirical strategy, case selection, and the operationalisation of dependent and independent variables. The fifth discusses the findings.

These findings corroborate the theoretical expectations presented here. The general attitudes over *how* much social policy seem to explain the individual benefits of compensatory unemployment schemes. In line with existing research, the left appears more generous the right (see Bandau & Ahrens, 2020; Jensen & Wenzelburger, 2020). However, attitudes towards recalibration matter for active labour-market policies. Parties to the right spend moderately on capacitating ALMPs. They are no different from those to the left in this case. They also appear slightly more willing than their counterparts to invest in occupation ALMPs.

Social policies for the unemployed

Welfare states have several programmes intended to benefit unemployed people. Perhaps the most recognisable are compensatory schemes for individuals out of work. They make up for the loss of income during unemployment with periodic cash transfers, ensuring an essential safeguard for people who lost their jobs (Van Vliet & Koster, 2011; Bredgaard, 2015). However, welfare states also have active labour-market policies at their disposal. ALMPs are a broad set of policies whose primary aim is not to protect workers but rather to promote their participation in the labour market (Van Vliet & Koster, 2011; Bonoli & Liechti, 2018). They can be divided into three distinct groups according to their approach to fostering employment.

Some fall under the *workfare* approach. They encourage individuals to get back to work by requiring participation in work schemes and proof of job search to collect benefits or by reducing the generosity and duration of transfers (Bonoli, 2013; OECD, 2021). Because they restrict entitlements to compensatory schemes, scholars often describe this type of policy as 'demanding ALMPs'. They change the incentive structure to make it less appealing to stay on benefits, potentially allowing governments to control spending levels in unemployment programmes (Fossati, 2018).

The second group of ALMPs fits into the *occupation* approach. They facilitate labour-market transitions creating incentives to hire people and subsidising opportunities in the private sector. Governments may also create jobs in the public sector directly to bolster employment. These thus policies help people out of work reentering the labour market without necessarily assisting with de development of their skills (Bonoli, 2013; OECD, 2021).

Finally, the third group of ALMPs falls under the *capacitating* approach. These policies foster human capital formation and productivity through education and training (see Hemerijck, 2013). The programmes that specifically benefit unemployed people are vocational guidance, vocational training and counselling services (Beramendi et al., 2015; OECD, 2021). These ALMPs align the best with the prescriptions of the social investment paradigm, because in the medium to long run they facilitate labour-market reentry while also opening new working opportunities in more skilled jobs (Hemerijck, 2017).

While conventional unemployment schemes and active labour-market policies are usually studied separately, this chapter argues that they should be considered together when looking at the political dynamics of social policy change. To be sure, these policies have distinct goals and different ideological roots (Fossati, 2018). However, from a purely electoral perspective, they target the same groups of people, the unemployed. For this reason, politicians should, in principle, consider these programmes not as separate policies but as a set of possible alternatives available to respond to the social needs of these constituencies.

But which policies do parties in government prioritise? Again, they may prioritise protection against income loss, maintain individuals in the labour market, or even foster human capital development. From a purely office-seeking perspective, it can be argued that parties should go with conventional income-replacement transfers. These programmes offer voters highly visible and short-term benefits, making it easier to claim credit for government actions (see Chapter 4). Occupation programmes also allow some degree of credit claiming among recipients. However, their benefits are a little more diffuse and may not be directly apparent to beneficiaries – as is the case of subsidies to hire people in the private sector. Capacitating programmes are the least visible of these policies, as they are service-based and improvements in human capital only offer fuzzy benefits, usually in the the medium to long run.

Despite the lower visibility and time discounting, ALMPs are relatively ubiquitous in western European welfare states (Bonoli, 2013). How can the literature explain the development of these policies? One potential reason is that individuals at risk of unemployment are not the only ones supporting ALMPs. Indeed, occupational and capacitating ALMPs appear to have broad support across the income distribution (Häusermann et al., 2015; Fossati, 2018). Thus, parties can expand these policies to garner electoral support even among constituencies that are not likely to benefit from them.

However, another potential reason is that parties in governments may have ideological preferences that propose funding of ALMPs. They carry these preferences to office, where they attempt to implement decisions that align with their agendas. As previous studies suggest, partisanship seems to play an important role in defining the direction labour-market policies (see Jensen, 2012; Bandau & Ahrens, 2020). The outstanding question is whether these parties consider all social policies for the unemployed equally or whether they are partial to one type over others. The chapter now turns to the literature on welfare partisanship to tackle this question.

Political partisanship and social policy change

Perhaps one of the most influential arguments in the extant literature is that the ideology of parties in government influences social policy. Early studies show that the strength of Social Democratic parties in Northern Europe facilitated the creation of generous and egalitarian welfare states, which appeared to be highly redistributive and service-based (Stephens, 1979; Korpi, 1983; Esping-Andersen, 1990).

They also claim that Christian Democratic parties played a critical role in developing welfare states in continental Europe. While still very generous, these welfare systems were based on social insurance principles. They are geared towards temporal distribution, creating lower levels of redistribution among income groups and preserving labour-market stratification (Esping-Andersen, 1999; van Kersbergen, 1995).

Liberal-leaning parties – which represent the interests of net tax contributors – are typically more market-oriented and thus less keen on the expansion of social programmes (Schmitt, 2016). These parties were the strongest in Anglo-Saxon countries, leading to more limited and primarily means-tested welfare states. These were more reliant on private insurance to respond to the social needs of the population (Beramendi et al., 2015).

This earlier body of research shows that cross-national differences depend on the strength of these political parties and their link to labour movements. Nevertheless, scholarship on mature welfare states finds a diminishing influence of government ideology on social policy. These studies rest their theoretical foundations on the *new politics* approach first developed in Pierson's (1996) work.

The author suggests that deindustrialisation made mass parties and the labour movement progressively lose their influence to expand social rights. Furthermore, several factors from financial constraints and growing economic competition reduce the capacity governments previously had to expand spending efforts at will. At the same time, governments still need to honour policy commitments already in place. In fact, the sheer number of beneficiaries of social programmes makes spending cuts a problematic exercise. These reforms can lead to electoral setbacks as discontented voters lose their benefits (Pierson, 2001).

These pressures limit governments on both sides. They cannot expand benefits for fiscal reasons. They cannot reduce benefits for electoral reasons. Despite their reduced influence, scholars argue that ideology still matters. To be sure, they claim that partisan influence is more limited in programmes like pensions and healthcare, as most voters are expected to benefit from them at some point during their lives. But even in these cases, governments can still imprint their agendas onto policy reforms. But they depend much on gradual changes over time (Streeck & Thelen, 2005), negotiations with various political actors (Jensen, 2011b; Immergut & Abou-Chadi, 2014) and strategies to blur the costs of reforms to taxpayers and beneficiaries (Green-Pedersen, 2002; Giger & Nelson, 2013; Vis, 2016).

Political partisanship and policies for the unemployed

Parties still enjoy more significant influence in programmes that benefit small and not so organised parts of the electorate. Conventional unemployment schemes are a conspicuous example of these kinds of policies. Here, scholars find that the ideological orientations of governments matter. They consistently find the centre-left to be more generous than the centre-right when in power (Jensen, 2012; Bandau & Ahrens, 2020). This makes sense given that the programmatic agendas of the left commonly promote redistribution to reduce inequality and poverty (Esping-Andersen, 1990).

Active labour-market policies primarily benefit these same groups of people at the bottom of the income distribution. Thus, it stands to reason that these partisanship effects should be similar to those observed in unemployment assistance programmes. Nevertheless, this appears to be a contentious matter among scholars. In fact, they disagree about the effects political partisanship has on the development of ALMPs (see Vlandas, 2013).

Some studies make the case that the impact of partisanship on ALMPs is similar to that of passive unemployment benefits. They argue that the Social Democratic parties are more likely to invest in enabling ALMPs that increase the labour-market status of the working class (Huo et al., 2008; Iversen & Stephens, 2008; Van Vliet & Koster, 2011). This expectation is corroborated with the experience of Nordic countries, where the center-left have traditionally enjoyed considerable influence. These parties played a critical role in the development of training services and other capacitating programmes as far back as in the 1970s (Boix, 1998; Huo et al., 2008).

In their turn, governments to the right of the political spectrum traditionally favour demanding active labour-market policies (Fossati, 2018). They prefer these policies as they are less costly and hamper spending efforts in cash transfers and tax transfers to lower-income groups. Existing research backs these expectations, showing that countries with liberal roots like the United Kingdom were the first to develop and the most committed to this type of ALMPs (Bonoli, 2013; Rieger, 2018).

Nevertheless, other authors put forward contrasting theoretical expectations. They argue that Social Democratic parties are either indifferent or against enabling ALMPs (e.g., Rueda, 2006). The reasoning behind this argument hinges on distinct social policy preferences of *insider* and *outsider* labour-market groups. Social Democratic parties are commonly linked to the working class (Stephens, 1979; Esping-Andersen, 1990). Nevertheless, their core constituencies are actually specific *insider* blue-collar workers. They enjoy a relatively stable labour-market status, good coverage of welfare programmes, and are reasonably well organised politically within unions and other interest groups (Vlandas, 2013). Importantly, these constituencies are not the target of ALMPs. They primarily benefit *outsiders*.

However, structural changes in post-industrial economies reduced the size of these core constituencies, pressuring Social Democratic parties to forge cross-class alliances to win elections (Keman et al., 2007). In principle, they could advocate for ALMPs to gain support across all constituencies with low income as they have similar interests for redistribution (Häusermann et al., 2015).

The problem is that ALMPs run counter to the interests of *insiders*. For one, they need to be financed by workers' contributions only to benefit individuals outside of the labour market. Perhaps most importantly however, they boost the labour supply, which increases competition for jobs. They also place individuals on the market that may 'underbid' wage demands of established workers (Rueda, 2006; Bonoli, 2013).

Existing comparative research finds empirical support for this competing hypothesis that left governments are equally or less generous than right governments in the development of enabling ALMPs (Rueda, 2006). How can these conflicting findings be explained? Scholars usually point out the usual suspects. Ideology may interact with policy legacies, institutional structures, partisan competition, and even corporatist arrangements (see Rueda, 2006; Bonoli, 2013; Manow et al., 2018; Abou-Chadi & Immergut, 2019).

This chapter argues that these contradictory results stem from shortcomings in how the existing studies capture government partisanship. Specifically, they fail to capture the preferences of political parties in light of structural changes in the nature of redistributive conflicts in post-industrial economies (Schwander, 2019). The left-right dimension does not adequately match the current ideological differences between political parties over welfare.

Parties have their preferences over how much governments should invest in the economy. As captured in previous empirical studies, these preferences roughly correspond with the left-right dimension. However, parties may also be partial to specific social policies over others. They can have programmatic agendas that stick with conventional policies of income support – for instance, unemployment compensation, and sick pay leave. These policies benefit the traditional beneficiaries of welfare programmes, primarily *insiders* that enjoy job security, social protection, and are fairly well represented by unions and other interest organisations.

Parties can also aim to recalibrate social programmes to new social needs of more diversified demographic groups in advanced industrial economies. These new policy *repertoires* range from ALMPs and vocational training programmes to family services like childcare and elderly care. They cater mostly to women, young people, and (tendentially low skilled) workers with precarious labour-market status (Esping-Andersen et al., 2002; Rueda, 2006).

These preferences should be observed separately because they are fundamentally different from the first dimension. Knowing government orientations toward economic intervention and the funding of welfare states tells us little about which specific social programmes they prefer to invest.

In line with existing research, this chapter argues that the left funds unemployment protection schemes more than the right, regardless of whether they support more conventional provision or recalibration (see Jensen, 2012; Bandau & Ahrens, 2020). However, these attitudes towards recalibration make a difference in active labour-market policies. Parties favouring conventional welfare should still follow the same patterns. The left is still expected to create more generous ALMPs than the parties to their right.

However, this should not be the case with parties favouring welfare recalibration. In this case, centre-of-right governments may invest more in ALMPs to cater to new constituencies (see Fleckenstein, 2011). It is important to note here that ALMPs align with both the ideological roots of the left and the right. To the left, they improve the labour-market status of workers. To the right, they foster labour-market participation and increase productivity (Hemerijck, 2013). Consequently, the funding of ALMPs should be comparable for parties with a strong recalibration agenda without regard to their position on the economic axis. Following this discussion, this chapter puts forward two hypotheses:

Hypothesis 6.1 *Among parties that favour conventional welfare, the left introduces more generous compensatory unemployment schemes and active labour-market policies.*

Hypothesis 6.2 *Among parties favouring welfare recalibration, the left is more generous in compensatory unemployment schemes but no different from the right to invest in ALMPs.*

Conceptualising government welfare orientations

The existing literature has advanced much in understanding how partisanship affects social policy. Notwithstanding, most empirical research still relies on old concepts that do not adequately grasp government preferences over welfare policy in advanced industrial economies.

Most empirical studies hinge on some measure concerning the strength of the political left in government, either on an annual basis or cumulative over time. They operationalise this concept by first labelling political parties according to their ideology – for instance, Social Democratic or Green – and then counting the share of seats they control in government (Döring & Schwander, 2015; Horn, 2017).

This approach has one serious disadvantage. It does not account for differences among political parties within the same party family, nor for changes in political preferences over time (Horn, 2017). This last shortcoming is critical as post-industrial transformations forced existing parties to update their political agendas to respond to new social risks and new party competitors (Armingeon & Bonoli, 2007; Beramendi et al., 2015; Manow et al., 2018). Static party labels based on expert judgments do not appreciate these developments, leading to measures of political partisanship that become progressively inadequate as time passes (Bandau & Ahrens, 2020). In its turn, this provides an interesting potential explanation of why partisanship gradually loses explanatory power when examining the generosity of social policy (Horn, 2017).

The second problem is that party labels refer not only to social and economic agendas but also to orientations in other political areas, from external relations to religious and moral values. These items are not very informative for understanding party preferences over welfare (Döring & Schwander, 2015). Not only that, welfare preferences should be assumed to be a coherent whole. As this thesis argues, political parties may not have homogeneous attitudes towards welfare and instead be partial to some specific social programmes over others.

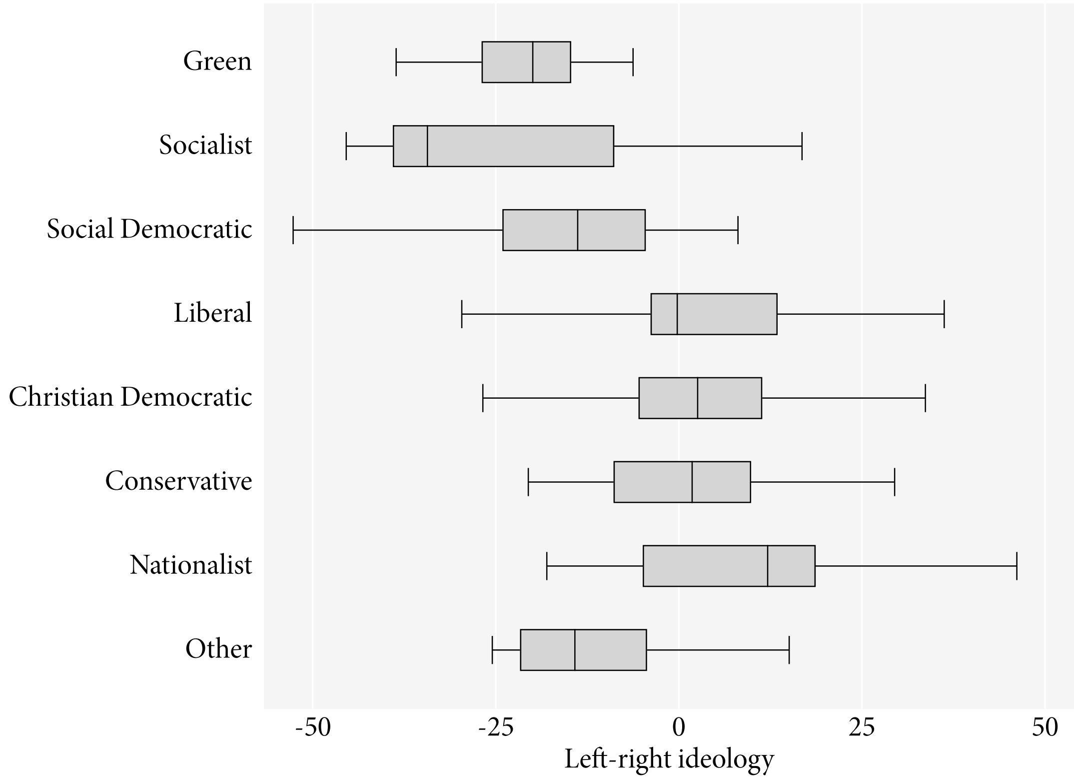
Shortcomings notwithstanding, discussions about the *independent variable* problem remain largely absent from scholarly attention, at least when compared to the amount of empirical research on partisanship and welfare states (see Starke, 2006; Bandau & Ahrens, 2020). Only recently did some authors propose new measures that appear more theoretically grounded with what the literature knows about welfare conflicts in advanced industrial economies (e.g., Döring & Schwander, 2015; Horn, 2017). These approaches all use electoral manifesto data to categorise parties on some ideological or policy dimension.

The first classifies governments along a left-right dimension (e.g., Döring & Schwander, 2015). This approach offers some advances in that it does not rely on expert judgments and thus can capture shifts over time. It also offers more nuanced observations compared to categorical party labels. Figure 6.1 highlights this last point, as it shows variation in the left-right dimension available in the Comparative Manifestos Project (Krause et al., 2019) within each party family.

Still, these measurements share some of the drawbacks of party labels. For one, this left-right scale gauges more dimensions than social and economic policies, those theoretically relevant here. However, perhaps the most pressing problem is that they can only grasp general preferences about redistributive conflicts. They do not outline the more nuanced picture of the specific policies that parties may prioritise in their policy agendas. Again, these fine-grained assessments are vital to understanding how partisan agendas influence distinct social policies.

The second approach introduces a more refined strategy, as it gauges government orientations in two different dimensions (e.g., Horn, 2017). The first corresponds to the general attitudes towards state *versus* markets. The second corresponds to more specific preferences about redistributive conflicts. This approach answers some of the limitations of using the left-right scale, even if the second dimension still

Figure 6.1: Party positions on the left-right dimension across party families



sticks with a broad conceptualisation of welfare. Not only that, it considers them separately, not allowing for proper orthogonal mapping of government preferences.

A novel approach

This chapter builds on these discussions to develop a novel strategy for measuring the social policy preferences of political parties. These preferences fall into two distinct and independent dimensions. The first relates to general attitudes towards the role of the state in the economy and in reducing inequality. It roughly translates to the classical left-right scale, looking primarily at references to economic planning and market regulation against references to a free-market economy and economic orthodoxy.

The second dimension focuses on what type of welfare governments prefer. This chapter distinguishes conventional welfare provision *versus* welfare recalibration. It chooses these specific attitudes because they reflect the various lines of social policy for unemployment. Compensatory schemes are at the heart of conventional welfare provision along with pensions, disability and sick pay programmes (Esping-Andersen, 1990). In its turn, active labour-market policies are rooted in recalibration reforms, as they tackle new forms of unemployment by facilitating labour-market transitions and improving the skills of diversified workforces (Taylor-Gooby, 2004; Bonoli, 2013).

The analysis hinges on electoral manifesto data from the Comparative Manifestos Project (CMP) to operationalise these welfare orientations (Krause et al., 2019). The classification of economic orientations is relatively straightfoward, following the exact same strategy used in Chapter 5. Positive orientations include favourable mentions towards government intervention in the domain *economy* of CMP. Negative orientations include references towards less government activity and expanded role of markets[1].

This chapter introduces a new classification to measure views on welfare recalibration. Parties are considered to be more sympathetic towards welfare recalibration if they prioritise investment in education, and mention diverse labour market demographics positively (this includes the working class, unemployed workers, women and young people). Conversely, parties are considered to support conventional welfare provision if they deprioritise education programmes and have favourable references to the middle class only (used here as a proxy for *insiders*)[2]. Table 6.1 and Table 6.2 outline the classification scheme for the dimensions depicted here.

Table 6.1: Propensity to intervene in the economy (economy orientations)

Positive orientations	Negative orientations
Market regulation (*per403*)	Free market economy (*per401*)
Economic planning (*per404*)	Incentives: positive (*per402*)
Protectionism: positive (*per406*)	Protectionism: negative (*per407*)
Keynesian management (*per409*)	
Controlled economy (*per412*)	Economic orthodoxy (*per414*)
Nationalisation (*per413*)	

Table 6.2: Attitudes towards welfare recalibration (recalibration orientations)

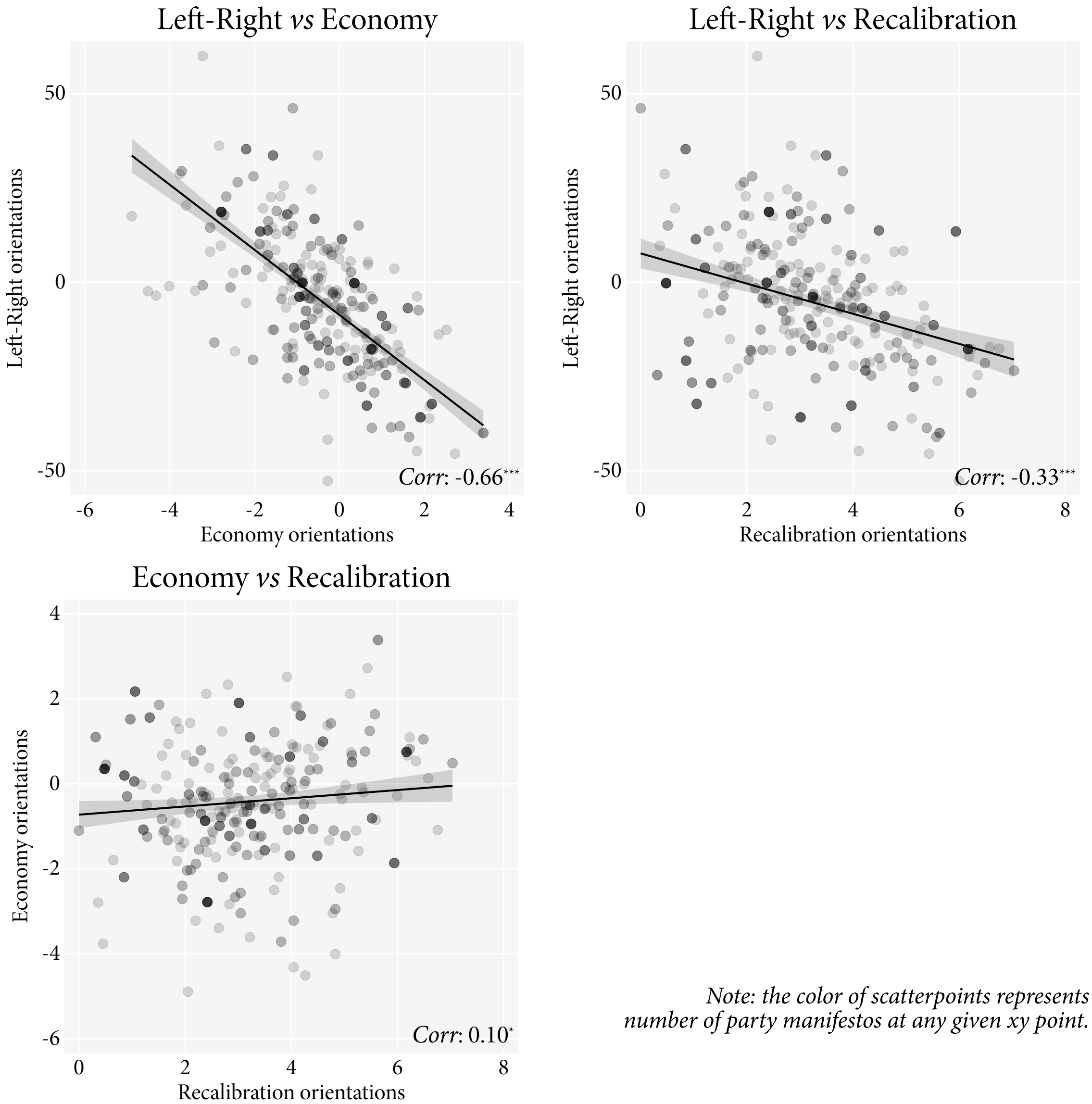
Positive orientations	Negative orientations
Education expansion (*per506*)	Education limitation (*per507*)
Labour groups: positive (*per701*)	Labour groups: negative (*per702*)
Non-economic groups (*per706*)	Middle class (*per704*)

Crucially, these dimensions should be independent of one another. Political parties can position themselves anywhere in this two-dimensional space. This means that assessing preferences in two separate axes

[1] Some items of the domain *economy* were excluded from the classification for one of two different reasons. Some do not have a clear connotation with either the left or the right. This is the case of mentions to corporatism (*per405*), references to economic growth and sustainable economic growth (*per410* and *per416*), references to technology and infrastructure (*per411*), and broad and general economic goals that are not mentioned in relation to any other category (*per408*). Others use anti-system language that fall outside of the scope of what this variable is meant to capture. This includes references to Marxist-Leninist ideology and specific use of Marxist-Leninist terminology (*per415*).

[2] The items related to welfare state expansion and retrenchment (*per504* and *per505*) were not used in this dimension because it is unclear whether they should be classified as leaning towards conventional welfare or recalibration. This is because CMP bundles together all sorts of social programmes in these categories, from childcare to pensions. References to the need to invest in training and research are also excluded from this dimension because they are classified under a broader category that includes all sorts of references on technology and infrastructure (*per411*).

Figure 6.2: Comparison between government orientations on the left-right dimension, involvement in the economy, and welfare recalibration



is not enough, like what previous studies have done (see Horn, 2017). Both axes need to be interacted with to map all possible combinations within this orthogonal space.

Figure 6.2 highlights the need to interact both dimensions. These plots show that parties supporting more economic intervention do not necessarily support welfare recalibration and *vice-versa*. The sample includes party agendas approximately distributed in the four quadrants of this ideological space. The small correlation size also adds another piece of evidence that these two attitudes are not linked to one another.

This figure also presents the relationship between welfare recalibration and the standard left-right scale as defined by the Comparative Manifestos Project (Krause et al., 2019). In this case, the correlation coefficient is slightly higher at around -0.34. This clearer relationship is expected considering that the left-right scheme captures non-economic components, including some used in the welfare recalibration scheme outlined here – for instance the funding of education (*per506* and *per507*) and references to labour groups (*per701* and *per702*). Still, even if these numbers point to a systematic relationship between both, there is still a large degree of variation left to be explained. If anything, this higher correlation highlight why is it useful to split these attitudes into two different dimensions.

Lastly, Figure 6.2 also compares the left-right scale with the economic classification depicted in this chapter. The results report a strong correlation between both variables in the sample of about 0.66. This relationship confirms the claim that this new classification roughly corresponds to the traditional economic cleavages measured by the left-right variable. Note that the differences between both approaches are expected since this version removes non-economic categories from the classification scheme. As this chapter argued before, this links the observed attitudes and their effect on welfare state funding much more theoretically grounded.

Empirical analysis

The remainder of the chapter will now turn to the empirical analysis. The analysis focuses on social programmes for the unemployed in fourteen western European welfare states from 2002 to 2017.[3] Similarly to the previous chapter, the countries in focus cover the four classic welfare regime types already identified in existing literature – the Nordic, the Liberal, the Continental and the Southern European regimes (Esping-Andersen, 1990; Ferrera, 1996). This case selection allows us to explore how partisanship affects unemployment spending dynamics across different institutional backgrounds.

The inclusion of different regimes in the analysis is critical because there is evidence that they affect the design of unemployment programmes. For one, the financing and the entitlement structure of income compensation schemes vary from regime to regime (Esping-Andersen, 1990; Castles, 1995; van Kersbergen, 1995). Not only that, the initial development of active labour-market policies in each country seems to be inexorably linked to the predominant ideological roots of their welfare states (Bonoli, 2013; Fossati, 2018).

The dependent variables

The analysis delves into spending efforts in social policy programmes for the unemployed across three distinct dimensions: (1) compensatory unemployment schemes, (2) active labour-market policies that prioritise occupation, and (3) active labour-market policies that prioritise capacitation.

[3] The countries included in the analysis are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

The empirics use data from OECD's (2021) Social Expenditure Database (SOCX) to calculate the variables of interest. This dataset offers expenditure information for all the countries in this case selection. They are disaggregated into multiple sub-functions of income replacement unemployment programmes and ALMPs. Table 6.3 classifies each of these spending components provided by the OECD into the three categories of interest. Note that these choices follow the classification schemes already developed in existing research (see Bonoli, 2013).

Using the approach to measure welfare state change discussed in Chapter 2, spending numbers are first converted to Purchasing Power Standards, which allow us to make cross-country comparisons without the undue influence of distinct price levels in each country. They are then weighted to the number of unemployed people in a given year. This last change is critical because total spending figures would be sensitive to changing unemployment rates. The weighted figures do not suffer from this problem as they grasp generosity levels per beneficiary. Figure 6.3 provides a look at the final dependent variables. Here, some interesting patterns emerge.

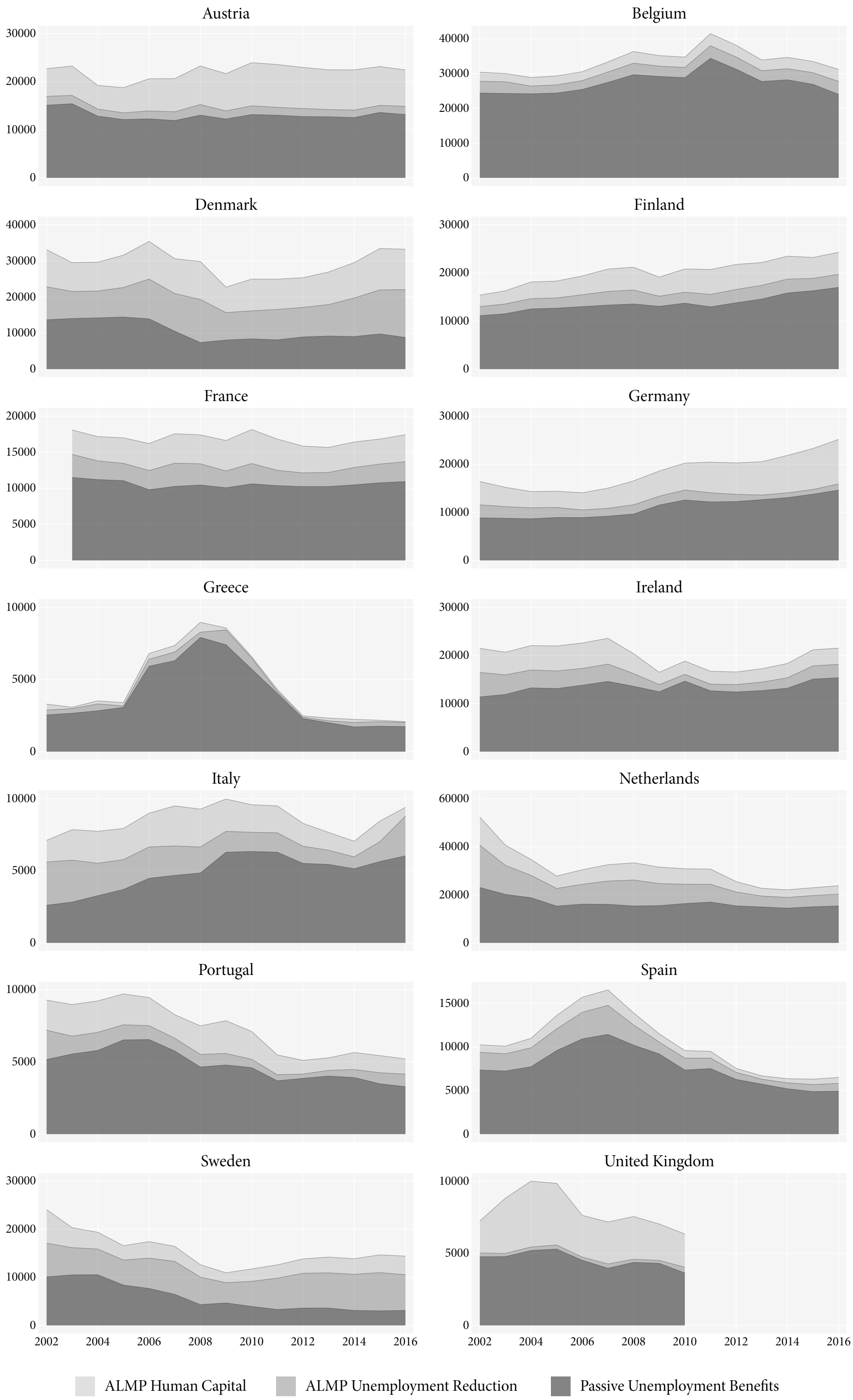
Perhaps the most striking remark is that generosity levels are consistent with the welfare regimes hypothesis. For one, passive unemployment benefits constitute the lion's share of spending for the unemployed in almost all countries except the two Social Democratic countries in the case selection – Denmark and Sweden. These countries invest the most in active labour-market policies, constituting more than 65 percent of their expenditure.

Income replacement programmes dominate spending efforts in southern European countries and some continental countries, most notably Belgium. In addition to that, Southern Europe appears to have the least generous ALMPs among all the countries in focus. Some continental countries like Germany and Austria join Finland with moderately high spending levels in compensatory schemes and capacitating policies. They depart from other continental welfare states due to the extensive labour-market reforms of the early 2000s (see Seeleib-Kaiser & Fleckenstein, 2007; Fleckenstein, 2011).

Table 6.3: Social policy programmes for the unemployed

Classification	OECD's spending components
Unemployment protection	Compensation / severance pay
	Early retirement for labour market reasons
Unemployment reduction	Employment Incentives
	Supported Employment and Rehabilitation
	Direct Job Creation
	Start-Up Incentives
Human capital	Training
	Placement, counselling and vocational guidance

Figure 6.3: Government expenditure in social policies for the unemployed



The time trends also lend weight to the argument that financial problems affect government spending capacity. Greece, Portugal, and Spain witnessed sharp reductions in the generosity levels of unemployment programmes following the financial crisis of the late 2000s. Interestingly, they all become more consumption-oriented during this period. Italy converges with the rest of southern Europe in the 2010s in their spending priorities, even if total generosity levels do not experience a sharp drop.

Again, these figures are consistent with the findings of Chapter 4. This chapter concludes that governments may decrease spending in some social policy areas when facing financial problems. Unemployment policies are the prime candidates for retrenchment because they are less likely to trigger an electoral backlash from voters. Two different reasons underlie this claim. First, they benefit small and politically disengaged parts of the electorate at the bottom of the income distribution. Second, most active labour-market policies are either service-based or benefit their participants indirectly (for example, by offering hiring incentives to companies). Cuts in these policies are less visible to their beneficiaries.

Overall, welfare regimes and financial problems explain a good part of this variation. Then, how do government preferences fit in this picture? If anything, this brief descriptive analysis highlights the need to control for these factors in regression models, as they constitute potential confounders to the main explanatory variables. The following subsection outlines the operationalisation of the independent variables used in the empirical analysis.

The independent variables

Turning to the measurement of government orientations, this chapter defines two conceptual dimensions of interest. The first is the propensity to intervene in the economy. The second is welfare recalibration. Contrary to previous studies with similar strategies (see Horn, 2017), it also interacts them. This allows us to test the hypotheses depicted above as the interaction maps the two axes orthogonally. Specifically, it shows how combinations between more and less preferences for economic intervention and welfare recalibration affect changes in the composition of social spending for unemployed people.

These variables are operationalised using the latest data related to political manifestos data available in the Comparative Manifestos Project (Krause et al., 2019). These data offer a count of "quasi-sentences", units of text that make a positive or negative reference to a particular policy category. The analysis relies on these counts to measure party orientations using a state-of-art approach to scaling policy preferences (see Lowe et al., 2011). Here, all the references of positive mentions are added together, and then divided by negative mentions in all relevant categories for each dimension. The resulting ratio is then logged, given the theoretical expectations that each additional reference to a given topic should have decreasing effects on the importance of the subject in question. Each direction starts with a baseline of 0.5 to avoid dropping data when applying the log calculation in case of no references in the whole manifesto. The following equation describes this process formally:

$$\theta^{(o)} = \ln \frac{m_p + 0.5}{m_n + 0.5}$$

This information is then matched to cabinet composition data available in Parlgov (Döring & Manow, 2020). In the case of single-party governments, the variables take the observed value of the incumbent. However, in the case of coalition governments, the variables use the weighted average of all coalition partners. The weight reflects the number of parliamentary seats of every individual party, divided by the total number of parliamentary seats held by all incumbent parties (see Toshkov et al., 2020).

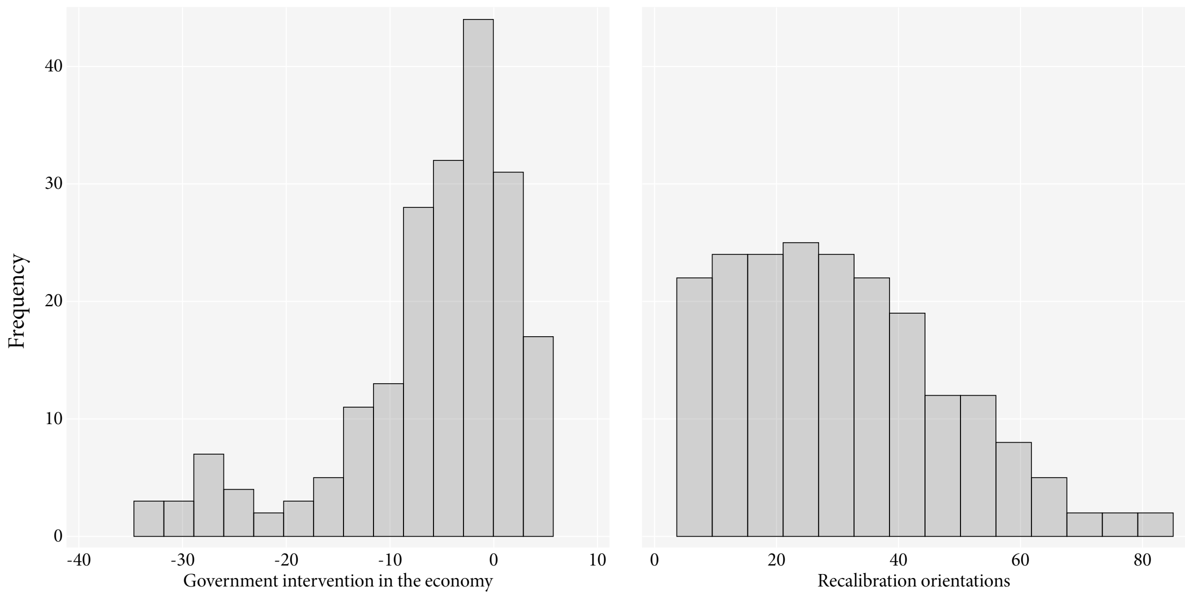
These variables gauging government orientations do not follow the country-year structure of the observed values on the composition of social spending. To fit with the structure of the dependent variable, observations are assigned to each fiscal year to the party or coalition in power on the day of parliamentary approval of the national budgets. The dates of budget laws were manually retrieved from the online law repositories of each country (Bundesministerium für Digitalisierung und Wirtschaftsstandort, 2020; Etaamb, 2020; Civilstyrelsen, 2020; Oikeusministeriö, 2020; République Française, 2020; Bundesministerium der Justiz, 2020; Εθνικο Τυπογραφειο, 2020; Irish Government, 2020; Istituto Poligrafico e Zecca dello Stato, 2020; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2020; República Portuguesa, 2020; Agencia Estatal Boletín Oficial del Estado, 2020; Sveriges Riksdag, 2020; The National Archives, 2020).

These variables are included in the regression model in a cumulative form. This approach is used here because this chapter is interested in explaining actual generosity levels and not annual differences in spending. Since the outcome of interest is affected by past policy choices, the accumulated impact of previous partisan agendas need to be assessed up until the year prior to the observed spending levels. Figure 6.4 plots the distribution of the final explanatory variables used in the models.

The regression analysis also includes public opinion variables as controls. Chapter 5 shows that they consistently affect spending priorities in pensions, healthcare and education programmes, although not in unemployment schemes. However, considering that these models have a more nuanced operationalisation of ideology, they are included again as they may behave as potential confounders. The theoretical expectations here are rather intuitive. High salience of unemployment problems and policy mood should increase the generosity of compensatory schemes as they produce more short-term and visible benefits. In turn, public opinion variables should have no impact on occupation and capacitating ALMPs they produce either indirect or long-term benefits.[4]

[4] Chapter 4 explains the rationale behind these theoretical expectations in more detail.

Figure 6.4: Distribution of left and recalibration orientations (cumulative)



Apart from these variables, the models also include a couple of different controls that have been traditionally associated with spending efforts in unemployment programmes and active-labour market policies (see Van Vliet & Koster, 2011). These include women's employment, GDP *per capita*, corporatism, and a dummy variable identifying whether governments in power are single-party or coalitions. Following the descriptive analysis above, debt as a percentage of GDP is also included in the model to account for government spending capacity. Fixed effects should remove the need to control for welfare regimes as they are constant within each country. Table 6.4 shows the descriptive statistics for all the variables used in the regression models.

The regression analysis employs an ordinary least square model for each type of social policy for the unemployed in focus. Again, they are as follows: (1) unemployment compensation, (2) occupation ALMPs, (3) capacitating ALMPs. Considering that government decisions may need some time to take effect, the models observe the dependent variables in $t + 1$. The collected data has strong autocorrelation patterns since the dependent variables are measured at their actual levels and not in annual differences. The models also have panel corrected standard errors with country-specific autoregressive models to address this problem. All control variables are measured in time t. Again, this ensures that the direction of the relationship in empirical findings follows that of the theoretical expectations.

Another concern that needs to be addressed here is that the first observed year in the dataset is not a natural starting point for the time series. This may pose a problem as the variables capturing welfare orientations are cumulative. Their base levels cannot be computed because the data points for these variables were not retrieved for years prior to the window of observation. Notwithstanding, fixed effects effectively

Table 6.4: Summary statistics

	Mean	Median	St. Dev.	Min	Max	Obs
Dependent variables						
Unemployment protection	10742	10371	6422	1720	34420	203
Unemployment reduction	3188	2202	3024	89	17609	203
Human capital	3903	3371	2684	47	11660	203
Independent variables						
Economy orientations	-5.97	-3.22	8.70	-34.69	5.74	203
Recalibration orientations	30.52	28.04	17.72	3.64	85.03	203
Issue unemployment	0.42	0.42	0.19	0.04	0.81	203
Mood	0.37	0.44	0.98	-1.92	2.17	203
Women employment	60.50	61.50	8.59	39.90	74.80	203
GDP per capita	29.04	28.83	5.56	17.53	52.18	203
Debt	0.75	0.67	0.34	0.24	1.81	203
Corporatism	1.29	1.00	0.67	0.00	2.00	203
Coalition	0.74	1.00	0.44	0.00	1.00	203

addresses this problem. Besides removing other time-invariant factors from the equation, they also absorb the structural levels of welfare orientations of each country.

Discussion

Table 6.5 presents the findings of the regression models. These results appear to support the theoretical expectations. Left economic orientations are significantly associated with expanding benefit levels for all three policy categories in focus. Government orientations about welfare recalibration moderate this relationship, but only for the second and third models related to active labour-market policies. Crucially, they do not seem to matter regarding unemployment protection.

Figure 6.5 plots these interaction effects to help with their interpretation. It presents the predicted values of the dependent variables for all possible combinations of the two explanatory variables to account for the effect of partisanship across two orthogonal dimensions. These graphs were constructed by comparing the predicted values of the dependent variables to the predicted values at the reference point μ. This point maps government preferences along the economic and the recalibration axes at their means (see Table 6.4). Darker squares indicate that the predicted generosity levels at that point are significantly larger than that value at μ. For its turn, brighter squares denote statistically significant lower levels.

The first graph in Figure 6.5 plots partisan effects on unemployment compensation. This figure once again validates the theoretical expectations. The funding of these protection schemes appear to be the largest under conventional left-wing governments. Notwithstanding, governments with economic left orientations seem to be more generous than their right counterparts, without regard to their positions on welfare recalibration. These results give credence to the two hypotheses and go in line with previous research on partisan effects (see Bandau & Ahrens, 2020). This is not surprising since these parties traditionally support redistribution to reduce poverty and lower income inequality (Korpi, 1983; Huber & Stephens, 2014).

The second graph plots partisan effects on occupation active labour-market policies. Contrary to income replacement benefits, welfare recalibration orientations affect generosity levels. The relationship between partisanship and occupation ALMPs is similar to compensatory schemes for governments that support conventional welfare provision. The left is the frontrunner in the funding of these policies. The picture is exactly the opposite for governments with more recalibration orientations. The right seems to prioritise these policies more than the left in this case.

To be sure, these findings conflict with part of the second hypothesis, as it predicts no significant differences between recalibration-oriented governments across the economic spectrum. One possible explanation for these results may be grouping distinct subcomponents into this type of ALMPs. To be fair, they all have a similar aim to foster employment. However, their mechanisms may be linked to different ideological roots. For instance, direct job creation in the public sector may be more associated with the economic left. In contrast, hiring incentives in the private sector may be more linked to liberal ideological roots. This working hypothesis paves the way for future research to disentangle these nuanced differences in the development of ALMPs.

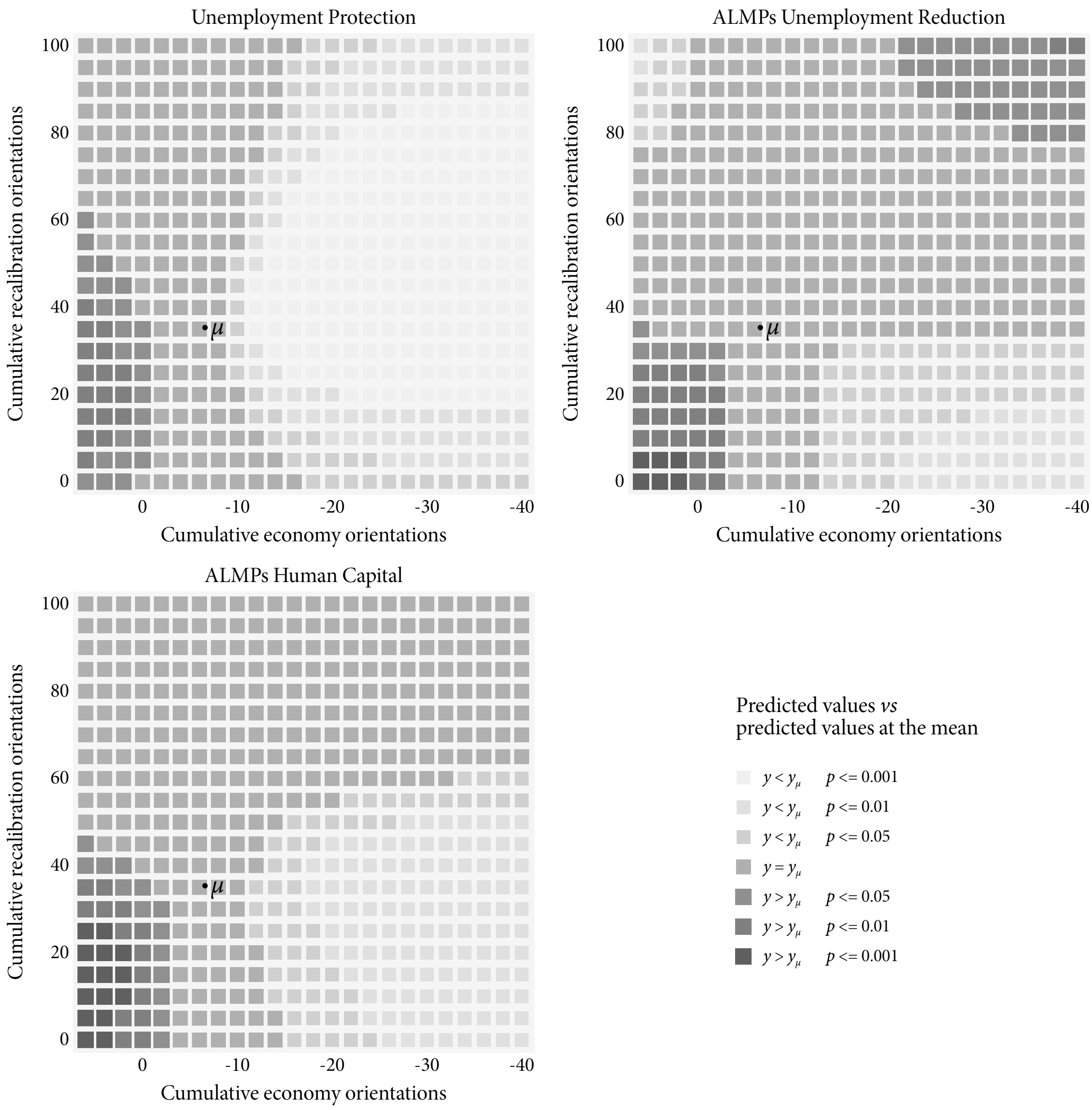
Table 6.5: Regression models

	Un. Protection	Un. Reduction	Human Capital
Economy orientations	227.56**	204.13**	145.44**
	(81.37)	(65.75)	(45.23)
Recalibration orientations	-4.52	-27.46**	-12.24
	(22.48)	(10.54)	(9.65)
Economy orientations × Recalibration orientations	0.01	-3.79***	-1.81**
	(1.36)	(1.07)	(0.63)
Issue unemployment	-748.59	-3205.80***	-2803.57***
	(722.97)	(598.30)	(471.77)
Mood	-163.69	-504.38*	-141.37
	(395.10)	(226.40)	(225.13)
Controls	Yes	Yes	Yes
Fixed effects	Yes	Yes	Yes
N	203	203	203
Countries	14	14	14
Prob > chi^2	0.00	0.00	0.00

Correlated panel-specific AR1 standard errors in parentheses.
* $p <= 0.05$, ** $p <= 0.01$, *** $p <= 0.001$

The third graph in Figure 6.5 turns to the last model about capacitating active labour-market policies. Once again, the funding of ALMPs follows the standards hypothesis of partisan effects established in the literature. Again, the left promotes more generous programmes to develop human capital than the right. These trends are also consistent with the other types of social policy for the unemployed analysed previously. These findings thus fully support the first hypothesis that conventional left governments invest more than the conventional right in all unemployment programmes in focus. This is not the case for governments with stronger welfare recalibration attitudes. In accordance with the second hypothesis, there is no significant difference between governments with different ideological leanings. Their willingness to

Figure 6.5: Predicted effects of cumulative government preferences on social spending levels for the unemployed



intervene in the economy to lower inequality and reduce poverty does not seem to matter in the funding of capacitating ALMPs.

Taken together, this presents a clear picture. Partisan orientations about government activity affect social policy for the unemployed. However, these effects depend on whether parties favour more conventional welfare provision or welfare recalibration. The left favours all three unemployment policies more than the right among governments with conventional attitudes. Among governments with recalibration orientations, it depends. The right invests less in unemployment protection, more in occupation ALMPs, and about the same as the left on capacitating ALMPs.

As a final note in this discussion, the results of public opinion variables challenge the explanations presented above. For one, policy mood for government activity does not seem to be associated with spending efforts in policies that benefit people out of work. The results for the salience of unemployment issues go against the theoretical expectations.

Public attention appears to have no significant impact on the generosity of unemployment transfers. The argument predicted a positive relationship as these transfers offer visible benefits among beneficiaries. Nevertheless, these null findings are not concerning, given that these policies target small constituencies that are not likely to swing the election chances of incumbent parties (Jensen, 2012). Thus, governments have fewer incentives to follow public opinion in this case (see Chapter 5).

However, the negative coefficients in the second and third models lack any theoretical ground. They suggest that governments cut down on active labour-market policies in response to increasing concerns among citizens about unemployment levels. Future research should explore these dynamics in more detail. As suggested in the previous chapter, unemployment issues usually accompany economic problems. Governments may invest in other social policy areas that generate positive macroeconomic effects more rapidly than these programmes. This again highlights the need to consider policy complementaries in understanding welfare politics.

Concluding Remarks

This chapter assesses the role of government welfare preferences on social programmes that target jobless people – compensatory unemployment benefits, occupation and capacitating active labour-market policies. In line with previous studies, it argues that partisanship matters (Häusermann et al., 2013; Bandau & Ahrens, 2020; Jensen & Wenzelburger, 2020). The work presented here makes critical contribution to the conceptualisation of government preferences over welfare. It starts by arguing that existing empirical measures – party labels and left-right scales – are not adequate for these preferences in modern welfare states.

Hinging on recent discussions about the *independent variable problem*, welfare orientations are instead observed along two dimensions. The first relates to whether governments should invest more or less in economic and social policy. This roughly equates to the *how much* question that dominated the political dynamics during the *golden age* of welfare state expansion. The second dimension focuses on particular aspects of social policy. This one equates to *what kind* of social policy do governments want. This dimension becomes increasingly essential in post-industrial economies as social needs become more diverse and an increasingly heterogeneous citizenry. They pressure governments to expand their policy *repertoires*.

This chapter constructs this dimension by comparing conventional welfare provision and welfare recalibration. These attitudes mirror the roots of the different types of social policies for the unemployed. Conventional welfare is linked to compensatory schemes, while recalibration is linked to active labour-market policies.

The empirical analysis proceeds on the back of these two dimensional mapping of partisan preferences. The two dimensions of welfare preferences appear to explain changes in the composition of social policy for the unemployed. The left-right axis appears as the dominant predictor for generosity levels of unemployment compensation. In line with previous literature, the left appears to invest more than the right in these schemes (see Bandau & Ahrens, 2020).

Attitudes towards recalibration matter for active labour-market policies only. Parties with conventional welfare predispositions follow similar patterns. The left appears more generous in the funding of both types of ALMPs. Nevertheless, the effect of economic attitudes is remarkably distinct for parties more oriented towards recalibration. Parties to the left and the right seem to invest moderately in ALMPs. In the case of capacitating policies, there is no observable difference on both sides of the spectrum. For occupation policies, the right appears slightly more sympathetic than their left counterparts.

These results align with the theoretical expectations that orientations towards government involvement in the economy matters for compensation schemes. However, its effects on ALMPs depend on the recalibration attitudes of political parties. These findings add to a rich literature on partisanship, as they corroborate the conclusions of previous studies on unemployment generosity (Jensen, 2012; Bandau & Ahrens, 2020). They also add a more nuanced argument to those studying partisanship and active labour-market policies (see Rueda, 2006; Bonoli, 2013; Fossati, 2018).

The take-home message of this chapter is about taking partisanship seriously. Scholars should use conceptualisations of government preferences that align more adequately with the post-industrial lines of political conflict over welfare. This should become a standard procedure for empirical research on welfare partisanship and studies looking into the moderating effects of existing institutions in political decision-making.

Chapter 7

Conclusion

This dissertation seeks to understand how public opinion and governments affect social policy change. The main argument developed here hinges on the idea of democratic representation that politicians make choices that follow what citizens want. Two mechanisms underlie this link. The first is that politicians actively react to shifts in public opinion during their mandates in an attempt to keep reelection chances swinging in their favour. The second is that the winning candidates base their policy choices on the programmatic agendas that got them into office (Strøm, 1990; Weßels, 2007).

These dynamics of democratic representation are also present in the case of social policy. However, what set them apart here is how policy preferences are structured. Building on existing scholarship on the welfare state, this work argues that this link operates on two distinct dimensions (see Häusermann et al., 2015; Horn, 2017).

The first dimension is about general attitudes on how much should the state do in intervening in the economy, regulating markets, and improving the wellbeing of citizens. These attitudes relate to the conflict between social rights and the economy, the central line of conflict of left-right partisan competition that dominated political life during the development of modern welfare states (Stephens, 1979; Hemerijck, 2013). For this very reason, it is not surprising that most scholarship on welfare preferences draws attention to these general attitudes about the role of government in redistribution and its impact on the economy (Jæger, 2006, 2009; Giger & Nelson, 2013). Not only that, but this dimension also acts as the foundation of the most influential research traditions of welfare politics (Esping-Andersen, 1990; Pierson, 1996).

In its turn, the second dimension does not concern about the size of welfare states. Instead, it focuses on what kind of social policy is preferred. Following recent advances in the literature (see Esping-Andersen et al., 2002; Beramendi et al., 2015; Manow et al., 2018), this dimension explicitly recognises that welfare states are not internally homogeneous. They encompass many social policy programmes from unemployment benefits to childcare services, from pensions to education. These programmes address different social problems, have different aims, redistributive impacts, and different target people (i.e., constituencies).

For this reason, it is not surprising that research social policy preferences already identifies heterogeneous attitudes concerning welfare states both from citizens (e.g. Häusermann et al., 2015; Garritzmann et al., 2018) and from political parties (e.g. Rueda, 2006). This recent 'electoral turn' in the literature has advanced our understanding of welfare politics in recent decades. However, they offer a static view of democratic representation by linking preferences to the labour-market status of individuals and the ideological labels of parties. This is where this thesis makes its contribution. Leveraging more dynamic measurements of public opinion and programmatic agendas, it explains social policy change as a function of *how much* and *what kind* of policy do citizens and parties want, at any given time.

Summary of findings

Chapter 4 brings the idea of comparing different types of welfare policy to the forefront of the analysis. It starts by asking a rather conspicuous question: what do governments do when facing fiscal pressures to cut spending? Here, the chapter follows the argument of the *new politics* literature that states that parties in government avoid unpopular retrenchment reforms because they can be costly in the next elections (Pierson, 2001).

However, the novel approach here considers social programmes to have different characteristics. Some offer visible and direct benefits – such as pensions and unemployment compensation – while others have less clear benefits, at least in the short-term – such as healthcare and education. The experience of the Great Recession in Western Europe is consistent with the argument that governments facing severe fiscal problems direct cuts to the latter policies. These cuts arguably pass under the radar of public scrutiny, allowing governments to receive less electoral backlash than if they were to cut on policies with more perceivable benefits.

All in all, this chapter conveys two critical points that act as the basis for the rest of the empirical analysis. First, the politics behind welfare change depends much on the specificities of each social programme. Second, incumbent parties consider their reelection prospects when they make social policy decisions. This is the foundation of normative theories about democratic responsiveness, which is the concern of the subsequent chapters.

Chapter 5 focuses on the side of public opinion. It draws on these theories of democratic responsiveness that state that governments respond to what the public wants. To be sure, this is not a new argument within welfare state scholarship (see Brooks & Manza, 2006c; Horn, 2017). Nevertheless, it takes a step further by considering the two-dimensional structure of welfare preferences. Specifically, it argues that government responsiveness in the case of welfare policy depends not only on public mood for more government activity (*how much* social policy) but also on the social issues that are at the forefront of the concerns of voters (*what kind* of social policy).

The evidence suggests that governments increase spending efforts on pensions after a more positive mood for government intervention but only if pensions is a salient issue among public opinion. These findings also apply to healthcare and education issues. The regression models show very consistent and stable results for the three issue-programme pairs, even if spending changes are captured in different time intervals from one to three years. Notwithstanding, this relationship does not seem to exist in the case of unemployment issues. Public opinion variables do not appear to explain changes in unemployment spending patterns.

Chapter 6 turns the focus to indirect representation, looking into the programmatic agendas of parties in government. Then again, it uses the same theoretical premises to explore the views of incumbent parties when it comes to unemployment policy. The chapter maps partisanship in two dimensions. The first is how much governments want to intervene in the economy (*how much* social policy), again closely related to the left-right dimension often studied in the literature. The second is whether they prefer to invest in compensation schemes to or active labour-market policies (*what kind* of social policy).

This chapter shows rather decisively that this second dimension is independent of the traditional left-right dimension. Not only that, it also suggests that these two preferences shape unemployment policies differently. In the case of parties with conventional welfare attitudes, the left appears to offer more generous benefits than the right across the board. However, the picture is much more nuanced for parties with more recalibration attitudes. The left still puts more money in compensation schemes. It invests moderately in capacitating ALMPs, about at the same level as the parties to their right. Finally, it seems less keen than their right counterparts on active labour-markets that aim to reduce unemployment.

Contributions

This dissertation makes several contributions to the existing work on welfare politics. From a theoretical standpoint, social policy is seen here as a function of public and government preferences. This understanding goes beyond the majority of previous research on welfare politics that focuses primarily on institutions and path-dependent processes (Pierson, 2001; Häusermann et al., 2013). These studies lean on the assumption that welfare states are popular among their beneficiaries, even if there is contradictory evidence suggesting that this support varies from social programme to social programme (Häusermann et al., 2015) and conditioned on perceptions about economic trade-offs (Giger & Nelson, 2013).

Being agnostic about policy preferences offers two critical advantages. First, it makes it much easier to explain *change* contrary to previous studies, which are much better equipped at explaining *stability*. Following this approach, policy changes simply stem from shifts in public opinion and partisan agendas.

Furthermore, this dissertation goes beyond the recent advances in the welfare state literature that look into structural changes in labour-markets (Taylor-Gooby, 2004; Iversen & Stephens, 2008), their effect on the basis of support for welfare states among citizens (Häusermann et al., 2015; Garritzmann et al., 2018), and in partisan competition (Manow et al., 2018). These studies conceive social policy preferences in a static manner, linking them to demographics and ideological labels. These advances in scholarship are critical to understanding developments in welfare states in the long run, but still limited in explaining why changes happen in a specific context. This disseration offers a theoretical framework that is arguably much better equipped at explaining changes in a more dynamic manner.

From an empirical standpoint, the analyses offer compelling evidence positing a link between public preferences and social policy, at least for large welfare programmes. This evidence is very robust compared to other attempts that brought the literature of government responsiveness to the study of welfare politics. In these previous studies, the evidence was much more feeble (Brooks & Manza, 2006a; Kenworthy, 2009; Bartels, 2015). This dissertation claims that these robust findings emerge from an novel depiction of welfare preferences that more adequately captures how they are structured in advanced industrial economies.

This link appears to be fuzzier in unemployment policy, at least compared to pensions, healthcare, and education programmes. Regardless, the empirics here also offer strong evidence that welfare agendas matter, be they related to scope or the kind of social policy that should be pursued. This goes in line with existing literature suggesting that partisan effects are alive and well, especially in smaller social programmes that are less likely to matter for reelection (Jensen, 2012; Bandau & Ahrens, 2020).

This brings us to a more general contribution concerning the normative ideals of democratic representation. Contrary to how it is often portrayed in previous work, the welfare state is not an immovable object (see Pierson, 1996). To be sure, institutional inertia and past policy commitments do play a critical role in determining possibilities for change. However, the dynamics of democratic representation appear to be alive and well, either directly as governments respond to public concerns or indirectly through the programmatic agendas of elected representatives.

This is particularly consequential in advanced industrial economies where social policy has an expanded role in defining the wellbeing of citizens, as new social risks increase the demand for new types of welfare policies. The findings here cast a good light on the prospect that governments, at least to a certain degree, pay attention to changing political and socio-economic realities and respond to demands of their citizens accordingly.

Limitations and future work

For all its contributions, this thesis also presents several limitations in understanding the dynamics of welfare politics. The first limitation relates to the conceptualisation of welfare effort. The empirical analysis solely relied on expenditure data. As Chapter 3 argues, this approach proves to be very useful because the spending data is easily comparable across different social policy areas. Spending data is also epistemologically interesting because it grasps directly what competition over welfare is all about – finite resources. It would be challenging to imagine elected representatives unwilling to give their constituents more social rights. The reason why political conflicts over welfare exist in the first place is that these rights are costly.

However, expenditure data is not the end-all-be-all approach to understanding the dynamics of social policy change. The conclusions drawn from empirical analyses rely only on quantitative data on expenditure levels. While arguably the best strategy to measure social policy change, these findings are still the very first step in testing these claims. Social rights and legislative data offer a more in-depth understanding of policy change beyond how much money is spent on each spending category. These data are not a good fit for the empirics because of the broad scope of the analysis. However, they can be used in focused comparative and qualitative work to deliver closer evidence to the theoretical argument presented here.

The second limitation relates to the empirical choices made here, which privilege external validity over internal validity. Again, the empirics hinge on a macro-analysis that explores general trends in welfare states and draws conclusions across different country contexts. To be sure, this goes in line with the tradition of comparative welfare state research (see Bandau & Ahrens, 2020). Not only that, their generalisability offers a strong foundation for future research on social policy.

The empirical trade-off is that these macro-analysis do not have the internal robusteness of work with a more narrow focus. Studies focusing a specific aspect of welfare policy within a country context can offer much more nuanced pictures of policy change. They are better equipped at understanding the causal mechanisms underlying democratic representation in the realm of welfare. Thus, future work using case studies and small comparative analyses should offer much-needed evidence to certify the findings of this dissertation and more thoroughly attest the theoretical premises made here.

A third limitation of the thesis is that the empirical analysis does not cover all policy areas of the welfare system. The most glaring omission in the public opinion chapter is family policy, which is one of the most critical programmes in handling new social risks linked to new family structures and employment patterns of women (Bonoli, 2013). They were not included in the analysis for two underlying reasons. For one, existing surveys on the most important issues do not have specific items clearly linked to social needs of families (see European Commission, 2020). Furthermore, research on programmatic agendas does not quantify partisan orientations towards family policies (see Krause et al., 2019). Nevertheless, this gives another possible angle that future research projects about the welfare state that have the resources to collect data on the subject. They can improve what the literature knows about the concerns citizens and how they relate to the dynamics of family policy in advanced democracies.

The fourth limitation is that the analysis neglects the role of political institutions in the dynamics of welfare state change. Indeed, the existing literature on welfare politics overwhelmingly agrees that institutions matter (Esping-Andersen, 1990; Pierson, 1994; Manow et al., 2018). However, this disseration takes a strategic decision to leave them out of the theoretical premises. Its primary focus is on conceptualising how public preferences and partisan agendas are structured in the case of welfare policy. The role of institutions is still adequately discussed and accounted for in the modeling choices of Chapter 5 and Chapter 6.

The models thus control for the potential impact of institutions in the dependent variable. But they do not show how they can interact and mediate the link between voters, governments and social policy. Some very recent studies are already putting this together, such as Abou-Chadi & Immergut's 2020 study drawing attention to how veto points mediate the role of mass policy preferences in social policy decisions. This research agenda shows very promising ways forward as we gain a better understanding of democratic representation and welfare.

Limitations notwithstanding, this work poses new and exciting questions to scholarship on the politics of the welfare state. As the pandemic puts an end to the post-recession era, this novel approach to studying welfare states is not only interesting for academic purposes. It is also critical to understand the political dynamics that will shape social policy in Western Europe when new forms of work and new social risks become ever more prevalent.

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