



Changing Welfare States and the Promise of Social Investment

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11 January – 15 March 2018

Seminar Room 2 (Badia Fiesolana) (unless otherwise indicated)

Aims

The course offers a comparative analysis of modern welfare state development and social reform against the background of changing nature of economics, politics and society. The aim is to introduce researchers to the state of the art in comparative welfare state research literature, with a special emphasis on recent changes in economy and society, such as the feminization of the labour market, demographic aging, economic internationalization and the impact of the global financial, on variegated national welfare states. The Seminar aims to provide researchers with advanced knowledge in the basic institutions underlying modern welfare states and their variation over time, pressed by structural change. The Seminar also provides skills in comparative cross-national and European welfare analysis, with special attention given to the variety of competing theories in the field and related methodological approaches.

Content

The welfare state, in the shape and form in which it developed in Western Europe in the second half of the twentieth century, represents a key institution in Europe's advanced political economies. Towards the late 1970s, the post-war celebration of achieving unprecedented growth, economic security, social solidarity and public care through democratic politics, gave way to doubt. The oil crises of the 1970s together with the changing character of international competition, de-industrialisation and the eroding

effectiveness of domestic Keynesian demand management led to a massive surge in unemployment not experienced since the 1930s. In the 1980s, the prospects for survival of the welfare state were recognised as poor. The diagnoses varied from a 'fiscal crisis' to 'un-governability' and erosion of the national and social foundations of social solidarity. A central feature of welfare state research in the 1970s and 1980s was the conjecture of recurrent crises, widespread retrenchment and, eventually, the demise of the welfare state across Europe's advanced political economies. Political scientists highlighted the heavy fiscal and institutional burden of the welfare state's expanding policy commitments. Sociologists turned to highlighting the cultural contradictions of modern capitalism in an era of rising expectations and ever-spiralling demands the welfare state was supposed to accommodate, exceeding its capacity to cater after the rising expectations of unconstrained citizens. Economists singled out the accumulation of perverse labour-market rigidities, embedded in the incentive structure of the welfare state, impeding flexible adjustment, blocking technological innovation, and hampering employment and economic growth in an integrating world economy.

In the early 21st century, five sets of challenges confronted policy makers with the imperative to redirect the welfare effort, to redesign institutions and to elaborate on new principles of social justice, and all this, against the background of intensified European regional integration. *From without*, in the first place, international competition is challenging the re-distributive scope and de-commodifying power of the national welfare state, its capacity to shield people in need against the hard laws of the marketplace. Many academic observers believed that the increase in cross-border competition in the markets for money, goods and services has substantially reduced the room for manoeuvre of national welfare states. In addition there is the danger that tax competition results in an under-provision of public goods.

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

Third, while policy makers must find new ways to manage the adverse consequences of economic internationalisation and post-industrial differentiation, their attempts to recast the welfare state are constrained by long-standing social policy commitments in the areas of unemployment and pensions, which have ushered in a period of *permanent austerity*. The maturation of post-war welfare commitments now seem to crowd out effective policy responses favouring a successful transition towards the post-industrial and knowledge-based economy of the 21st century.

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

Last but not least, there are the social, economic and political aftershocks of the global financial crisis. Today Europe's nascent economic recovery is far too tepid and fragile to help alleviate the deep unemployment problem, averaging at 12 per cent, but peaking well beyond 25 per cent in the Eurozone's periphery. European youths having been particularly hard hit, making a quarter of the economically active young Europeans jobless today, with youth unemployment levels approaching alarming rates of 50 per cent in Spain and Greece. After a series of emergency bailout mechanisms and the ECB's monetary interventions to do "whatever it takes" to keep besieged Euro afloat, today the new imperative for the member states and the EU and its member states is to mitigate the social aftershocks of the Great Recession and their political repercussions. In the process, there has been considerable re-appreciation of the welfare state, particularly in high social-spending countries that have seemingly 'buffered' the crisis well, under the heading of social investment, exemplified in terms of three core welfare policy functions, relating to: raising and maintaining human capital "stock" throughout the life course; easing the "flow" of contemporary labour market transitions; and upkeeping strong minimum-income universal safety nets as social protection and economic stabilization "buffers". Slowly but surely, the neoliberal imperative of 'making work pay' by social retrenchment and market deregulation is replaced by a 'capacitating' approach, whereby activating poverty relief, family and gender policy, education, training and employment

services, and public health, are understood to ‘crowd in’, rather than ‘crowd out’, private economic initiative, productivity, employment, and growth, while containing inequality.

As a result, the academic debate about 21st century welfare provision is distinctly different in comparison to two decades ago. Attempts to explain welfare state diversity and political stalemates in retrenchment endeavours, strongly influenced by the work of Gøsta Esping-Andersen on ‘the three worlds of welfare capitalism and Paul Pierson’s conjecture of the ‘new politics’ of the welfare state’ of the 1990s, are giving to new understandings of more transformative social policy change over the past decade. Ongoing social investment reforms in the Denmark, Germany, Ireland, the Netherlands, and Spain in the 1990s and 2000s, before the onset of the Great Depression thus required a fuller and more nuance understanding of the interaction between domains that are often treated separately in comparative welfare analysis, like macro-economic, fiscal, industrial relations, labour market policy and regulation, and work-life balance policies, beyond the traditional confines of decommodifying social security, against the dynamic background of globalisation, European integration, demographic shifts, changing family patterns and gendered labour market behaviour. The comprehensive – political economy – view of the politics of the ‘new welfare state’ encouraged scholars to transcend narrowly conceived preoccupations with decommodifying social security only and also to engage in comparative research endeavours to integrate ‘capacitating’ social service provision at decentralized levels of governance and EU single market, fiscal and monetary policy coordination, alongside the study of national social policy developments.

Objectives

Researchers who have successfully completed this course should be able to:

- Produce well-structured academic papers, employing the analytical tools of comparative political economic and welfare regime studies in conjunction with important theoretical understanding of EU social and economic policy coordination, drawing on a broad range of sources;
- Make concise oral presentations based on the basis serious reading exercises, collection of robust data, for the comparative historical-institutionalist political science perspective on the changing nature of social risks and associated political conflict and compromise national and EU socioeconomic policy-making;

- Design and write brief synopses on the multidimensional politics of welfare – particularly social investment – reform in selected countries (of their own choosing) in the wake of the global financial crisis and the shadow of intensified European (economic) policy coordination.

The course will provide researchers with the conceptual and empirical background information to enable them to write focused Phd-theses, and to answer questions like:

- How variegated welfare regimes across Europe have been seeking to reconcile the alleged trade-off equity and efficiency?
- What drives reform, which institutions, ideas and power resources help their enactment, and vice which institutional conditions stall transformative policy change?
- What motivates political actors to pursue structural reform or vice versa decline to ponder intrusive policy change?
- How the political boundaries of EU and domestic social and economic policy are being challenged on the backdrop of what new conflict lines, especially across the post-crisis Eurozone?
- Whether social investment (still) is the more appropriate answer to the exigencies of the 21st century competitive knowledge-based economy? And, more politically, there is the burning question whether the inter-temporal politics of social investment can remain feasible in the new hard times of economic stagnation and rising populist discontent?
- Is the EU given the time to developing a European social (investment) union, or will the aftermath of the economic crisis, and its associated nationalist backlashes, entrap the EU and its member welfare states in secular stagnation, unleashing domestic political spillovers which may break Europe and national welfare states apart?

Structure

The ten sessions of the workshop are designed to provide the analytical foundation and methodological tools for the comparative study of the welfare state and 'structural reform' in the aftermath of the global financial crisis. The purpose of the sessions is to discuss the long-term evolution and more recent topical developments from a perspective that allows for discussion of theory and methods for empirical analysis. There will (usually) be a few short presentations by researchers on the literature, based on a limited number questions raised in the literature. Their purpose is to unpack topics by clarifying policy problems and political controversy. A hand-out (maximum 2 pages) by students taking turns on jump-starting discussions on selected readings, should be made available to all participants 24 hours in advance.

Participation and examination

Attendance at seminars is compulsory for those who register for this course. EVERY member of the seminar is liable to be called upon to discuss ANY of the core readings in any week, as active participation in the discussion is vital to the success of the course. Other members of the EUI may be welcome to attend but should consult the course provider in advance of the first meeting of the class. All researchers registering for the course will be expected to produce at least two response papers (of roughly 2000 words). The first essay should focus on thematic issues in comparative welfare state research from a theoretical angle, such as the question of explaining welfare reform, but also about social investment and the impact of fiscal austerity for (social investment) welfare provision. The second response paper should be more straightforwardly empirical, based on recent post-crisis developments in particular countries, adopted by researchers for more intense study. Researchers are asked to circulate these discussion papers 24 hours in advance of the seminar, and to present the paper for 10-12 minutes during the seminar. For researcher wishing to write a term paper for this seminar/workshop, please send a copy by email to the seminar's professor, with a cc. to Maureen Lechleitner.

Schedule

The seminar takes place on **Thursdays at 09.00 to 11.00**, in Seminar Room 2 at the Badia, and will run from **Thursday 11 January to Thursday 15 March**. The full list of seminar sessions is the following:

- Session 1: Thursday 11 January 09.00 – 11.00 Seminar Room 2
- Session 2: Thursday 18 January 09.00 – 11.00 Seminar Room 2
- Session 3: Thursday 25 January 09.00 – 11.00 Seminar Room 2
- Session 4: Thursday 01 February 09.00 – 11.00 Seminar Room 2
- Session 5: Thursday 08 February 09.00 – 11.00 Seminar Room 2
- Session 6: Thursday 15 February 09.00 – 11.00 Seminar Room 2
- Session 7: Thursday 22 February 09.00 – 11.00 Seminar Room 2
- Session 8: Thursday 01 March 09.00 – 11.00 Seminar Room 2
- Session 9: Thursday 08 March 09.00 – 11.00 Seminar Room 2
- Session 10: Thursday 15 March 09.00 – 11.00 Seminar Room 2

Literature

The monograph *Changing Welfare States* by Anton Hemerijck (Oxford University Press 2013) and the edited volume *The Uses of Social Investment* by Anton Hemerijck (Oxford University Press, 2017) have been selected for intense study over the seminar series (see below). For background reference researchers can read chapters from: F. Castles, S. Leibfried, J. Lewis, H. Obinger, and C. Pierson (2012) (eds.), *The Oxford Handbook of the Welfare State*. Oxford: Oxford University Press, 121–38, and also: P. Kennett and N. Lendvai-Bainton (2017), eds., *Handbook of European Social Policy*. Cheltenham, Edward Elgar Publishing.

Session 1: Welfare state origins, path-dependent country expansion and policy variation – the weight of history

In the first introductory workshop, the origins of varieties of welfare regimes or family clusters will be introduced, along the lines of a number of classical texts.

Hemerijck, A. (2013), *Changing Welfare States* (2013), chapters 1 and 3.

Esping-Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Princeton: Princeton University Press, chaps. 1 & 9.

Korpi, W. and J. Palme (1998) 'The Paradox of Redistribution and the Strategy of Equality: Welfare State Institutions, Inequality and Poverty in the Western Countries', *American Sociological Review*, 63(5): 661–87.

Pierson, P. (1996), 'The New Politics of the Welfare State', *World Politics*, 48(2): 143- 179. <http://www.jstor.org/stable/pdfplus/25053959.pdf?acceptTC=true>.

Assignment 1: Discuss the main strands of comparative research on the welfare state and how they differ on the role played by history, on conjectures on (future) welfare state evolution.

Session 2: The core contention: between welfare state inertia and (gradual) transformative change

The second workshop confronts the main issue at stake, concerning the adjustment or (non-)reform capacity of contemporary welfare states to endogenous and external challenges. Two positions can be found in the literature. On the one hand, there is the conjecture that welfare state change is close to impossible. On the other hand, there is the alternative observation that welfare reform is difficult, but that it happens notwithstanding.

Pierson, P. (2011). 'The Welfare State over the Very Long Run', *ZeSArbeitspapier*, No. 02/2011, <http://hdl.handle.net/10419/46215>.

Hemerijck, A. (2011). '21st Century Welfare Provision is more than the Social Insurance State – a Reply to Paul Pierson', *ZeSArbeitspapier*, No. 03/2011;

Changing Welfare States (2013), chapter 2.

Vis, B. (2009). 'Governments and Unpopular Social Policy Reform: Biting the Bullet or Steering Clear?', *European Journal of Political Research*, 48(1): 31- 57. Direct link: <http://onlinelibrary.wiley.com/doi/10.1111/j.1475-6765.2008.00783.x/abstract>.

Assignment 2: Discuss the main differences in recent research on welfare state reform, retrenchment and social policy redirection and the roles they attach to political actor-motivations in pursuing (non-)reform in the established welfare states under siege by external and endogenous economic and social pressures.

Session 3: Varieties of welfare state change – between institutional structuration and reconstructing institutions

Comparative welfare state scholars have over the past decade been increasingly grappling with the theoretical predicament to try and make sense of reform dynamics. In doing so, a fair number of political scientists have come to nuance the conjecture of ‘blame avoidance’ in the politics of the ‘new’ welfare state. It has been accepted that, however defined, ‘institutions matter’ for political behaviour, social interaction, and welfare performance. Although institutions cannot be changed at will, the ‘lock in’ effects of policy and strategy continuity should also not be exaggerated. In order for institutions to survive under conditions of structural social and economic change, decision-makers invoke strategies of institutional adaptation which are often accompanied by processes of social learning, characterized by a dialectic intermediating between the ‘contest of power’, the ‘the play of ideas’ and prevailing ‘policy legacies’ and the ‘rules of the game’ of politics and administration.

Changing Welfare States (2013), chapter 4.

Streeck, W., and K. Thelen (2005) *Beyond Continuity: Institutional Change in Advanced Political Economies*. Oxford: Oxford University Press, chap. 1.

Crouch, C. (2010), ‘Complementarity’, in: G. Morgan, J.L. Campbell, C. Crouch, O.K. Pedersen and R. Whitley (eds), *Oxford Handbook of Comparative Institutional Analysis*, pp. 117-137.

Seeleib-Kaiser, M., and T. Fleckenstein (2007) ‘Discourse, Learning and Welfare State Change: The Case of German Labour Market Reforms’, *Social Policy and Administration*, 41(5): 427–48.

Bonoli, G. (2012), Blame avoidance and credit claiming revisited, in: G. Bonoli and D. Natali (eds.), *The Politics of the New Welfare State*, Oxford: Oxford University Press (chapter 5)

Häusermann, S. (2012), The politics of old and new social policies, in: G. Bonoli and D. Natali (eds.), *The Politics of the New Welfare State*, Oxford: Oxford University Press (chapter 6)

Palier, B. and K. Thelen (2010) ‘Institutionalizing Dualism: Complementarities and Change in France and Germany’, *Politics and Society*, 38(1): 119–48.

Assignment 3: Discuss the commonalities and differences in theoretical orientation, especially with respect to the malleability of institutions, characteristic strengths and weaknesses of novel theoretical approach to

better understand dynamics of policy change and institutional continuity in recent years, including their methodological implications.

Session 4: Welfare states in motion

European welfare states have over the past decades made considerable efforts to redirect labour market policy, employment regulation, social security benefits, pensions, family services and education and training programs, contingent on internal and external pressures, political mobilization and support, existing policy legacies and the institutional make-up of different welfare regimes. The result has been a highly *dynamic* era of reform, marked by considerable retrenchments, on the one hand, but also profound processes of ‘welfare recalibration’, conjuring up to a fundamental recasting of the functional, normative, distributive, and institutional underpinnings upon which European welfare states were historically based.

Hemerijck, A. (2013), *Changing Welfare States*, chapter 6 and 7.

Assignment 4: Researchers are thus required to ‘adopt’ a country for the sessions 4 and 6, by undertaking independent library research beyond the assigned literature and the Hemerijck monograph, on more recent (crisis) reform developments in selected countries. The presentation and paper should include an argument of how socioeconomic performance of the country under study is affected by the type of welfare regime, political institutions, and organized interest mobilization and intermediation.

Workshop 5: Social investment paradigm change?

Session 5 is about taking social investment seriously. Over the past two decades, the notion of social investment gained considerable traction in scholarly debates, domestic policy arenas and (international) think tanks. Social investment, by and large, pertains to welfare reform strategies that help ‘prepare’ individuals, families and societies to respond to the changing nature of social risks in advanced economies, by investing in human capabilities from early childhood through old age, rather than pursuing policies that merely ‘repair’ social misfortune after moments of economic or personal crisis. The session is built around a discussion of a foundational text that G. Esping-Andersen wrote for the *Why We Need a New Welfare State* volume for OUP and more recent endorsements of the social investment perspective in the edited volume of A. Hemerijck from 2017. Equal attention will be giving to recent critiques of the social investment paradigm in comparative social policy analysis, also to the found in the *The Uses of Social Investment* volume from OUP.

Esping-Andersen, G., D. Gallie, A. Hemerijck and J. Myles (2002), *Why We Need a New Welfare State*, Oxford: Oxford University Press, chapter 1.

Hemerijck, A. (ed.) (2017), *The Uses of Social Investment*, Oxford; Oxford University Press, Chapter 1 to 13 and 18.

Assignment 5. As social investment precept gained progressive leverage policy circles, in academia more critical studies on social investment gained credibility. For this assignment researchers are asked to reflect on the main pros and cons of the social investment policy paradigm, as put forward by its acolytes and their critics.

Session 6. Social investment in motion I

Hemerijck, A. (ed.) (2017), *The Uses of Social Investment*, Oxford; Oxford University Press, Chapter 14 to 26, except 18.

Assignment 6. researchers are asked to assess country-specific social investment progress and lack thereof by bringing in empirical (micro or macro quantitative and/or institutional qualitative) evidence from their 'adopted' countries, with special attention given to social protection (non-) change and social investment (work-life balance family policy) (non-)change and innovation.

Session 7. Social investment in motion II

(continued from above)

Session 8: E(M)U and the Welfare State: friends or foes

The European Union (EU), a path-breaking post-war institutional innovation, just like the modern welfare state, has over-developed as a critical intervening variable in domestic processes of welfare state change. It is fair to say that in the EU we have entered an era of semi-sovereign welfare states. Important works have been written on how European integration has contributed to the loss of boundary control of national political economies, 'globalization' breaking down the borders of economic competition while contributing little to new welfare institution building. The establishment of the internal market and the introduction of the EMU and the Stability and Growth Pact have added a new economic supranational layer to domestic social and economic policy repertoires of individual Member States. In the wake of the sovereign debt crisis of 2010, however, European integration has come to a political crossroads, having reached a suboptimal halfway house, making it ever more tempting for national political leaders to let Euroscepticism triumph over a effective E(M)U solutions. Can the economic and institutional fault lines of the European construction still be corrected in times of mass unemployment, high inequality, economic stagnation and populist polarization?

Hemerijck, A. (ed.) (2017), *The Uses of Social Investment*, Oxford; Oxford University Press, Chapter 27-30.

Ferrera, M. (2009) 'The JCMS Annual Lecture: National Welfare States and European Integration: In Search of a Virtuous Nesting', *JCMS*, 47(2): 219–33.

Hall, P.A. (2014) 'Varieties of Capitalism and the Euro Crisis', *West European Politics*, 37(6): 1223-1243.
DOI: <http://dx.doi.org/10.1080/01402382.2014.929352>

Hemerijck, A. (2016) *New EMU Governance: Not (yet) ready for social investment?*, Working Paper No. 01/2016, Institute for European Integration Research, Vienna.

Scharpf, F.W. (2009) 'Legitimacy in a multilevel European polity', *European Political Science Review*, 1(2): 173-204.

Assignment 7. The authors under review for this session pursue different arguments about the impact of EU economic integration on the functioning and survival of national welfare states. On the one hand, there are authors who underscore the corrosive impact of European integration on member welfare states. Some argue that EMU in effect has deepened the new austerity crisis of the welfare state. Others are less sanguine. Next to presenting the main differences in argumentation it is equally important to critically review whether contrasting positions in the debate are sufficiently supported by empirical evidence? To what extent does Eurozone crisis-management has come to pre-empt social investment policy innovation in the near future.

Session 9: The future politics of E(M)U welfare states.

Unsurprisingly, rich European welfare states have entered a period of transition in the aftermath of the global financial crisis. On the one hand, policy attention is progressively shifting to accumulating evidence, brought forth most notably by recent OECD studies that well-calibrated social investment policies “crowd in” inclusive growth and social progress in tandem. At the same time, the fallout of the Great Recession has created a new fiscal austerity context that effectively seemingly conspires against social investment reform breakthroughs. What’s more, a fragile recovery, competitive divergences and social imbalances, ranging from mass (youth) unemployment and rising poverty, are increasingly met with rising anti-EU populism. Negative anti-establishment and welfare chauvinist political feedback, which can very likely trump and corrode the social investment turn. Social investment reform does not come easy. Reorienting welfare provision towards social investment constitutes a complex and multidimensional challenge of policy recalibration, raising daunting political-institutional dilemmas, even in the purview of Pareto superior outcomes. A fair number of political scientists are therefore quite sceptical about an effective social investment reform in the aftermath of the Great Recession. Any kind of politics of investment suggests an explicit political exchange on the part of reformers to deliberately sacrifice or forego short-term consumption in order to reap long-term gains that make everybody better off in the future. In times of austerity, as we know for Paul Pierson, social investments provide

rather few short-term electoral rewards for politicians facing negatively biased electorates.

Assignment 8. For the final assignment researchers are asked to list the main theoretically derived obstacles to effective social investment reform in the new era of fiscal austerity. In particular, discussion should focus on how rising populism undermines social investment reform. At the same time, researchers are also asked to reflect, based on the empirical evidence, why social investment reform may not come to a halt in the aftermath of the crisis. The rise of welfare chauvinist populism could e.g. work out in favour of social investment reform by weakening the dominance of austerity politics with mainstream political forces. What political forces, based on what theoretical intuitions may attest to on-going (affordable) social investment reform and innovation?

Hemerijck, A. (ed.) (2017), *The Uses of Social Investment*, Oxford; Oxford University Press, Chapter 31 to 35.

Jacobs, A.M. (2011). 'Theorizing Intertemporal Policy Choice', in: *Governing for the Long Term. Democracy and the Politics of Investment*, Cambridge: Cambridge University Press, chap. 2, pp. 28-71.

Session 10: What have we learned? Conclusion and feedback