

## Changing Welfare States The truncated road to Social Investment

1<sup>st</sup> Term, Academic Year 2022-2023

Instructors: Prof. Anton Hemerijck, with David Bokhorst, Johannes Karremans,  
Ilze Plavgo and Heta Pöyliö

Tuesdays, 09:00-11:00

Seminar Room: Sala del Capitolo, Badia Fiesolana

First Seminar Session: 04.10.22

Last Seminar Session: 13.12.22

This class will be held as an ‘in-class’ seminar, unless developments in the Covid pandemic prevent it.

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### 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 crisis and the Covid-19 pandemic, on variegated national welfare states. In the first part 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. Afterwards, the focus of seminars will shift to state-of-the-art approaches in welfare state research, ranging from sociological and quantitative approaches to measuring returns to welfare policies, to multi-level governance analyses including both local service delivery and the agenda-setting role of EU institutions, to discussing electoral studies on the popularity of welfare provisions. Each of the seminars is led by a specialist in the field on the basis of recent output. The final part of the Seminar will discuss the future challenges of the welfare state and look back on the key lessons learned.

### Overview of sessions

1. Welfare state regimes – Anton Hemerijck and David Bokhorst
2. Welfare state inertia and transformation – Anton Hemerijck and David Bokhorst
3. Social investment principles and its critics – Ilze Plavgo
4. Social structures, life course, and social policy complementarities– Ilze Plavgo
5. Micro-sociological returns to social policy – Heta Poylio
6. The electoral turn in welfare state literature – Johannes Karremans
7. The welfare state and the financial/eurozone crisis – David Bokhorst
8. The EU as a social policy entrepreneur – David Bokhorst

9. Social service design and delivery – Anton Hemerijck and David Bokhorst, with Lorenzo Mascioli and Steven Ballantyne
10. Who's Afraid of the Welfare State Now? – Anton Hemerijck and Manos Matsaganis

### **Background**

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. Since the turn to the 21st century, five sets of challenges confront 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 seems to crowd-out effective policy responses favouring a successful transition towards the post-industrial and knowledge-based economy of the 21st century.

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 have 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 shocks and aftershocks of the crises that have hit Europe over the last fifteen years, starting with the global financial crisis of 2008 and ending with the Covid-19 crisis, with the Eurozone (2009-2015) and the refugee (2015-16) crises in-between. In the process of mounting pressures and crisis-related contingencies, recently there has been considerable re-appreciation of the welfare state, particularly in high social-spending countries that have seemingly 'buffered' the crises 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 of intrusive structural change, the academic debate about 21st century welfare provision is very 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 transformative welfare policy change over the past decade. Social investment reforms in Denmark, Germany, Ireland, the Netherlands, and Spain in the 1990s and 2000s, before the onset of the Great Depression required a fuller and more nuanced understanding of the interaction between domains that are often treated separately in comparative welfare analysis, like macroeconomic, 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 and to engage in comparative research that also integrates ‘capacitating’ social service provision at decentralized levels of governance and EU-level single market, fiscal and monetary policy coordination.

## Objectives

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

- Produce well-structured academic response 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;
- Understand the variety of methodological approaches in the field of comparative welfare state research, from micro-sociological (quantitative) approaches to case studies and process-tracing.
- Make clear and concise oral presentations based on the basis of serious reading exercises, collection of relevant data on the changing nature of social risks and associated political conflict and compromise national over reform, including at the level of EU socioeconomic policy-making;
- Design and write brief synopses on the multidimensional politics of welfare – particularly on 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 in economically hard times? What drives reform, which institutions, ideas and power resources help their enactment, and – vice versa – 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? Will the EU be given the time and energy to develop 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? What are the consequences of Covid-19 for the welfare state and European (economic) integration?

## Detailed overview of sessions

### Session 1: Welfare state regimes and post-industrial economies (4-10-2022)

Classification of countries into distinct welfare regimes is a common approach in comparative social policy research, most notably since Esping-Andersen's seminal book *The Three Worlds of Welfare Capitalism* (1990). Countries belonging to different welfare regimes are expected to react differently to similar challenges due to persisting differences in the relative balance between the state, the market, and the family. Thus, the principal expectation of the regime theory is that of persistent diversity across welfare regimes. In this session, we get acquainted to Esping-Andersen's typology of welfare 'regimes' and discuss how to account for regime temporality, path-dependency and transformation. We then look at contributions from other scholars who have sought to further develop these overarching configurations, and their application in current comparative social policy research. We will also discuss Chapter 1 and 3 from the *Changing Welfare States* volume (Hemerijck 2013), which will also allow us to give an overview of the themes of the course.

#### Readings:

- Esping-Andersen, G. (1990). *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press. Chapters 1 and 9.
- Esping-Andersen, G. (1999). *Social Foundations of Post-industrial Economies*. Oxford: Oxford University Press. Chapter 5: 'Comparative Welfare Regimes Re-examined'.
- Arts, W., & Gelissen, J. (2002). Three worlds of welfare capitalism or more? A state-of-the-art report. *Journal of European Social Policy*, 12(2), 137–158.
- Hemerijck, A. (2013), *Changing Welfare States*, Oxford University Press, chapters 1 and 3.

### Session 2: Between welfare state inertia and (gradual) transformative change: still the core contention? (11-10-2022)

The first session confronts the core theoretical 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. The first part of this session will focus on the debate of change versus inertia. Secondly, we will discuss what explains change. Comparative welfare state scholars have over the past decade been increasingly grappling with the theoretical predicament to try and make sense of reform dynamics. 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.

#### Readings:

- Pierson, P. (2011). 'The Welfare State over the Very Long Run', ZeSArbeitspapier, No. 02/2011, <http://hdl.handle.net/10419/46215>.
- Hemerijck, A. (2013), *Changing Welfare States* (2013), Oxford University Press, chapter 2 & 4.

- Van Kersbergen, K., & Hemerijck, A. (2012). Two decades of change in Europe: the emergence of the social investment state. *Journal of Social Policy*, 41(3), 475-492.
- Streeck, W., and K. Thelen (2005) *Beyond Continuity: Institutional Change in Advanced Political Economies*. Oxford: Oxford University Press, chap. 1.
- 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.

### **Session 3: Social Investment principles and its critics (18-10-2022)**

Since a few decades, researchers and policymakers increasingly argue that in the face of intensified demographic ageing and disruptive technological change, future economic growth will rely heavily on high levels of employment and improvements in productivity. Increased job volatility and diversification of work arrangements require ever increasing upskilling and job matching services, and the need for care-work reconciliation policies has intensified due to an increased share of women entering the labour market and changes in contemporary family structures. Social investment is often proposed as a way forward to address these new economic, social and demographic challenges. Social investment policies are regarded positively among a number of researchers, international organizations and policymakers, but have also received important criticism. On the one hand, capacitating investment in child-care, long-term care, education and training, active labour market policy, lifelong learning, paid parental leave, and family services and benefits can all contribute to employment, productivity, demographic balance, improved fertility, increased tax revenue, reduced long-term reliance on compensatory social protection policies, and lower levels of poverty. On the other hand, empirical evidence on these theorised positive effects is mixed. As underlined by a number of researchers, SI policies may benefit the middle and upper classes, sometimes at the expense of the poorer segments of the society, thus potentially increasing inequality and poverty. In addition, the distinction between social investment and other social policies is blurred, and the emphasis on employment as the ultimate goal of social policy has received criticism. This 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 endorsement of the social investment perspective on the score of its promise of high levels of employment at subdued levels of inequality. In addition, specific attention is given to some of the more recent critiques of the social investment paradigm in comparative social policy analysis.

#### **Readings:**

- 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. (2020), *Correlates of Capacitating Solidarity, Housing, Theory and Society*, 37:3, 278-288, DOI: [10.1080/14036096.2019.1705386](https://doi.org/10.1080/14036096.2019.1705386)
- Cantillon, B., & Van Lancker, W. (2013). Three shortcomings from the social investment perspective. *Social Policy and Society*, 12(4), 553-564.
- Nolan, B. (2013). What use is 'social investment'? *Journal of European Social Policy*, 23(5), 459-468.
- Parolin, Z., & Van Lancker, W. (2021). What a social investment 'litmus test' must address: A response to Plavgo and Hemerijck. *Journal of European Social Policy*, 31(3), 297-308.
- Hemerijck A and Plavgo I (2021) Measuring returns on social investment beyond here-and-now redistribution: A commentary on Parolin and Van Lancker's response article. *Journal of European Social Policy* 31(3): 309-320.

### **Session 4: Social structures, life course, and social policy complementarities (25-10-2022)**

This session investigates the salient question of whether and which types of social policies are able to increase employment and reduce poverty among vulnerable groups. We will discuss how (and for which population sub-groups) social investment policies can affect parents' ability to reconcile work

and family life, and to reduce or intensify poverty. Returns to social investment policies are discussed through the lens of a life-course multiplier, with a particular focus on policy complementarities.

Readings:

- Vandenbroucke F and Vleminckx K (2011) Disappointing poverty trends: is the social investment state to blame? *Journal of European Social Policy* 21(5): 450–471.
- Plavgo I and Hemerijck A (2021) The social investment litmus test: Family formation, employment and poverty. *Journal of European Social Policy* 31(3): 282–296.
- Nieuwenhuis, R. (2022). No activation without reconciliation? The interplay between ALMP and ECEC in relation to women's employment, unemployment and inactivity in 30 OECD countries, 1985–2018. *Social Policy and Administration, Online first*. <https://doi.org/10.1111/spol.12806>

Optional:

- Zagel, H., and Van Lancker, W. (2022). Family policies' long-term effects on poverty: A comparative analysis of single and partnered mothers. *Journal of European Social Policy*, Online first: <https://doi.org/10.1177/09589287211035690>.
- Hemerijck A, Burgoon B, Di Pietro A, and Vydra S. (2016) *Assessing Social Investment Synergies (ASIS)*. Luxembourg: European Commission, Publications Office of the European Union. Section 5.1, pp. 48-51.

### Session 5. Micro-sociological returns to social policy (8-11-2022)

This session focuses on the key elements of the welfare state impact on the livelihoods of the individuals at different stages of the life-course. The distributive effects of social policies are ought to mitigate the social and economic inequalities in a society. Some welfare states trust on financial compensation and targeted policies in promoting the well-being of the disadvantaged groups, whereas other welfare states provide more comprehensive policies and services to promote equal life chances. This session will address three questions: 1) How welfare states influence inequalities through social policies from the micro-sociological perspective? 2) How do the social policy returns vary according to the demographic or socioeconomic sub-groups (i.e., gender, education, employment, income)? 3) Whether the returns to social policies meet the policy aims or are there also unequal or unwanted outcomes of policies?

Readings:

- Avram, S., & Popova, D. (2022). Do taxes and transfers reduce gender income inequality? Evidence from eight European welfare states. *Social Science Research*, 102, 102644. <https://doi.org/10.1016/j.ssresearch.2021.102644>
- Hook, J. L., & Paek, E. (2020). National Family Policies and Mothers' Employment: How Earnings Inequality Shapes Policy Effects across and within Countries. *American Sociological Review*, 85(3), 381–416. <https://doi.org/10.1177/0003122420922505>
- Pöyliö, H. & Kallio, J. (2017). The impact of education and family policies on intergenerational transmission of socioeconomic status in Europe. In Erola, J. & Kilpi-Jakonen, E. (Eds.) *Social Inequality across the Generations*. Cheltenham: Edward Elgar. Pp 204-224. <https://doi.org/10.4337/9781786432568.00018>(available from the lecturer)

### Session 6: The Electoral turn in welfare state literature (15-11-2022)

An important shift in the recent literature on the welfare state has been the so-called 'electoral turn' in explaining (non-)reform. Scholars advocating an 'electoral turn' have shifted attention to bottom-up electoral behaviour and partisanship mobilization, steeped in quantitative public opinion survey research (and experiments) on welfare-and-work related issues, to the input side of the political process. There is a distinct departure from the core institutional insight



that ‘policy shapes social politics’, as scholars under the ‘electoral turn’ assume parties respond in a synchronic short-term fashion, congruent to electoral preferences, harking back to the pre-institutional presumption that ‘politics creates policy’.

Readings:

- Beramendi, P. S. Hausermann, H. Kitchelt, and H. Kriesi (2015), ‘Introduction: The Politics of Advanced Capitalism’, in: Beramendi, P. (et al.), *The Politics of Advanced Capitalism*, Cambridge: Cambridge University Press.
- Gingrich, J., & Häusermann, S. (2015). The decline of the working-class vote, the reconfiguration of the welfare support coalition and consequences for the welfare state. *Journal of European Social Policy*, 25(1), 50-75.
- Abou-Chadi T., E. Immergut, Recalibrating social protection: Electoral competition and the new partisan politics of the welfare state, First published: 15 October 2018  
<https://doi.org/10.1111/1475-6765.12308>  
<https://ejpr.onlinelibrary.wiley.com/doi/full/10.1111/1475-6765.12308?af=R>
- T. Iversen and D. Soskice (2019), *Democracy and Prosperity. Reinventing Capitalism through a Turbulent Century*, Princeton: Princeton University Press, ‘Introduction’ pp.1- 52.

### **Session 7: The welfare state and the financial/eurozone crisis (22-11-22)**

This session will dive into two distinct discussions focusing on the role of welfare states in the financial and eurozone crisis. The first discussion will focus on origins and consequences of the crisis, contrasting explanations on the alleged incompatibility of various welfare models under one euro construct, in the session we will contrast these with explanations that focus on the role of financialization. In the session we will also discuss country specific trajectories of crisis and their relationship to the composition of the welfare state. Secondly, we will look at country specific trajectories to weathering the crisis. How did buffer policies function? And what lessons can we learn from reforming the welfare state under stress, or under Troika supervision? For this last question we zoom in on the case of Portugal. Lastly, in the session we discuss what are the key lessons that policymakers should learn from the response to the eurozone/financial crisis to weather future crises?

Readings:

- 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>
- Olafson, S., M. Daly, O. Kangas, and J. Palme (eds.), *Welfare and the Great Recession. A Comparative Study*, Oxford: Oxford University Press (2019), Chapter 4 and Chapter 15.
- Hemerijck, A. and M. Matsaganis (2022) Who’s afraid of the welfare state now? Chapter 4: Buffering the Great Recession and the eurozone crisis.
- Turrini, A. (2017). ‘Labour Market Reform in Portugal under the Adjustment Programme: Lessons for Policy Design’, in: P. Manasse and D. Katsikas (eds.) *Economic crisis and structural reforms in Southern Europe*, Policy Lessons, Routledge.

### **Session 8. The EU as a social policy entrepreneur (29-11-22)**

The EU has seen a progressive deepening and widening of its institutional architecture, with the volume of guidelines and policy strategies growing considerable over the years. Policy recommendations have come to include clear timelines for implementation and targets and milestones for result. Starting with the Broad Economic Policy Guideline and European Employment Strategy, developing into the European Semester, with the European Pillar of Social Rights and since the Covid-crisis the Recovery and Resilience Facility (RRF), European policy coordination has developed into becoming an integral part of long-term policy planning and European welfare states have evolved mostly in line with its direction. In this session we’ll discuss this progressive development. We will assess the governance of European socio-economic coordination and the progressive socialization of reform recommendations. Secondly, we’ll engage in a more normative discussion on whether the current role of EU as policy entrepreneur in the social area is sufficient, and what are pro’s and con’s of various reform proposals to future innovations.

#### Readings:

- Scharpf, F.W. (2009) 'Legitimacy in the multilevel European polity', *European Political Science Review*, 1(2): 173-204.
- Bokhorst, D. and Corti, F. (2022) *Governing Europe's Recovery and Resilience Facility; between discipline and discretion. Government and Opposition, forthcoming*
- Vandenbroucke, F. (2020). *Solidarity through Redistribution and Insurance of Incomes: The EU A Support, Guide, Guarantor or Provider?*, ACES Research Paper No. 2020/01.
- Zeitlin, J., & Vanhercke, B. (2018) *Socializing the European Semester: EU social and economic policy co-ordination in crisis and beyond. Journal of European Public Policy*, 25(2), 149-174.
- (tbc) Corti, F. and Hemerijck, A. (forthcoming) *The Resurgence of Social Europe: from Great Recession acrimony to post-pandemic recovery, Journal of Common Market Studies.*

#### **Session 9. Social service design and delivery (6-12-22)**

The quality of social services crucially depends on the underlying policy design. With the social investment turn in Europe discussions have shifted from 'how much' welfare can we afford, to 'how' do we organize welfare provisions that support individual's capacities in the knowledge-based economy. European Member States have chosen vastly different policy designs for their services, often rooted in country-specific trajectories. In this session we will dive into some theoretical insights on designing capacitating services. An important insight that will be discussed is to build on and expand local networks that ensure ownership of services. In this session we bring in the regional perspective, by assessing the role of local communities. In contrast, we will also look at the role of markets and privatization in the design of social services. In the second part of the session, two current PhD's will present their ideas and research projects on social investment and the regional level.

#### Readings:

- Scalise G. and Hemerijck A. (2022) *Subnational Social Investment in Three European Cities: An Exploratory Comparison. Journal of Social Policy*, preview. <https://doi.org/10.1017/S0047279422000496>
- Cordini, M.M., Ruggero, C. and Tatjana, B. (2019) 'Social Investment Perspective and its territorial dimension', in *DASStU Working Papers – LPS. Politecnico Milano (DASStU Working Paper Series, n. 03/2019 (LPS.05))*.
- Keating, M. (2020) 'Beyond the nation-state: territory, solidarity and welfare in a multiscale Europe', *Territory, Politics, Governance*, pp. 1–15.
- (tbc) Bokhorst, D. and Hemerijck, A. (forthcoming) *How the Dutch derailed form their social investment trajectory; the case of the childcare allowance scandal.*

#### **Session 10. 'Who's Afraid of the Welfare State Now? (13-12-22)**

In the final session Anton Hemerijck and Manos Matsaganis will discuss their latest book with OUP. The session will summarize some of the lessons learned on past development of the welfare state and how Covid has changed the context and appreciation for European welfare states. They will also reflect on the latest round of challenges related to digitalization, the resurgence of inflation, the Ukraine war and climate change. Anton will also discuss on his work for the European Commission's High-Level Expert Group on the Future of Social Protection and the Welfare State. In this last session special attention will be devoted to a roundtable discussion on how best to study the welfare state and reform, and the role of academic research in policy advice.

#### Readings:

- Hemerijck, A. and M. Matsaganis (forthcoming) *Who's afraid of the welfare state now?* Oxford University Press, Oxford, chapter 9.