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## State of the Art Article

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### The Politics of Welfare State Reform

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#### Abstract

This article presents and discusses the state of the art in political science research on welfare state reform. While scholars first aimed at explaining the emergence and growth of the welfare state, national variation in its development, and crises of welfare state regimes, more recently the focus has shifted to the persistence and reform of the major welfare state institutions. Research in this direction has typically adopted an institutionalist perspective, stressing how institutional settings affect the feasibility and direction of reforms. These studies have shed light on important aspects of the question, in particular by demonstrating the role of path dependency and veto players in reform processes, but suffer from two main problems, namely the difficulty of defining the dependent variable in an appropriate way, and the neglect of the importance of power resources.

*Keywords:* Welfare state, social policy, reform, institutional analysis, comparative politics

#### Introduction

The immense scholarly work on the welfare state is characterized by a wide variety of theoretical and empirical schools and explanatory objectives. There are, of course, many possible ways to classify these literatures. The “welfare state” is a generic term under which many definitions, theories, operationalizations and research accents are subsumed. Economists and sociologists have primarily

looked at the welfare state as an *independent* variable. This implied that the main research interest concerned the extent to which and the conditions under which welfare state programmes explain specific social and economic outcomes, such as equality, employment, and labour market behaviour.

To the extent that the topic has attracted the attention of political scientist at all, their interests has mostly been in the welfare state as a *dependent* variable, especially focusing on the political causes of welfare state development and cross-national variation. At present, the research attention has shifted to welfare state *reform*, a concept around which there is considerable theoretical and empirical confusion and, accordingly, scholarly debate. As the welfare state is almost exclusively studied as a *dependent* variable in political science analyses, it may be helpful in this review to try to order the various approaches according to the type of explanatory problem they address.

For this purpose, one can distinguish three types of mainstream theories, dealing with the causes of 1) the emergence, expansion and cross-national variation of welfare state regimes, 2) the “crisis” of the welfare state and 3) the political and institutional resilience of social policy arrangements. This classification not only does justice to the historical development of welfare state research, but also provides an accurate theoretical context for appreciating recent developments. In the light of the mounting social, economic and financial predicament of the welfare state, the problem of political and institutional “stickiness” of welfare regimes has become the dominant explanatory problem in research. Institutional approaches have moved to the forefront of the scholarly debate, but encounter difficulties understanding the type of policy changes and reforms that do occur.

### **The evolution of explanatory issues**

There is large and varied body of literature that initially aimed at explaining the *emergence and growth of the welfare state* and later also tried to account for the *cross-national variation in development of advanced welfare regimes*. Here we find comprehensive theoretical attempts to understand the rise and expansion of the welfare state as an effect and feature, particularly of a) the modernization of society (e.g. Flora and Heidenheimer 1981), b) the evolution of industrial society (e.g. Wilensky and Lebeaux 1958; Wilensky 1975), and c) the contradictions of capitalism (e.g. Offe 1984). In addition, a long research tradition exists that has been studying the similarities and differences between advanced welfare states, explaining variation, for instance, in terms of demographic structure (e.g. Pampel and Williamson 1989), democratic institutionalization (e.g. Hewitt 1977), the power resources of political actors (e.g. Korpi 1983; Esping-Andersen 1990), and state structures (e.g. Skocpol 1992).

There is also a large body of research that has focused on several *crises of the welfare state*. Increasingly the welfare state was viewed as an achievement which had grown to its limits (e.g. Flora 1986–87). Marxist analyses stressed that the redistributive logic of the welfare state contradicted the generic logic of capitalism governed by the functional needs of profitability and accumulation, and that this contradiction posed a threat to legitimacy and would necessarily lead to the breakdown of the welfare state (e.g. O'Connor 1973; Gough 1979; Offe 1984). In the wake of the oil crises and the conservative and neoliberal governments in the United States and the United Kingdom a host of crisis theories emerged, predicting the dismantling of the welfare state as the embodiment of the ideal of equality (OECD 1981; Mishra 1984). More recently, crisis theories were constructed that focus on the increasing interdependence, internationalization or globalization of national economies. These crisis theories stress that macro-processes such as globalization force welfare states to retrench radically and re Commodify their social systems for reasons of international competitiveness. Different national systems are predicted to be rapidly converging around a lowest common social denominator (for a critical overview see Swank 2002). A similar account is given of the effects of European integration. The member states of the European Union (EU) abandon their internal borders, as a result of which the welfare systems need to be adjusted in a struggle for survival in a common market that is characterized by the risk of tax competition and “social dumping”.

Many a theory predicted the end of the welfare state, particularly pointing to the formidable challenges and pressures that threaten its viability or even subsistence. The challenges include population aging, sluggish economic growth, long-term unemployment, changing family structures, the transformation of life cycle patterns, the postindustrialization of labour markets, the erosion of systems of interest intermediation and collective bargaining, the rise of new risks and needs, and international pressures (“globalization”) (see for a particularly enlightening overview Schwartz 2001). However, empirical reality contradicted these theories since the welfare state has continued to exist, albeit perhaps functioning at a lower level of social and economic performance (Kuhnle 2000).

This clash between theory and empirical reality gave rise to new theories with substantially different aims. Since the early 1990s, then, a new direction in welfare state research has documented empirically that welfare states have been remarkably resistant to change notwithstanding the mounting challenges they face. Rather than growth, variation, crisis or breakdown, the major explanatory problem for these dominant welfare state theories became the *persistence of the major institutions of the welfare state*. In accordance with mainstream political science, institutionalist inspired theories identified crucial mechanisms (e.g., path dependency and lock-in) that explain welfare state persistence. Moreover, a major prediction of this body of literature became that these mechanisms also

preclude the institutional transformation of welfare states in the next decade or so. Paul Pierson's work (1994, 1996, 2001a) stands out here.

More than ever before, political scientists have joined economists, historians and sociologists in focusing on welfare state related issues. Currently, also political science analyses almost exclusively focus on the welfare state as the dependent variable, specifically trying to explain how and why existing welfare state regimes either seem to resist change – including the adjustments deemed necessary for their own survival – or appear to change only gradually or incrementally according to a built-in regime logic that seems to reaffirm if not aggravate the difficulties that are typical for the regime.

It is interesting yet somewhat peculiar in this context to observe that the welfare state for a long time has been neglected somewhat by (comparative) political scientists other than those focusing on public policy in a more general sense (see extensively van Kersbergen and Becker 2002). Although the welfare state is by far the most important structural political transformation in postwar capitalist democracies, the contrast between the huge body of economic, sociological and public administration literature on the welfare state and the modest contribution of political science is striking.

There has been one major exception: the so-called “politics matters” school that in the late 1970s and 1980s opposed the banal theses, both in political science and in everyday political parlance, on the irrelevance of politics for economic and social outcomes. In the 1980s, this “politics matters” school (see Castles 1982) time and again attempted to show that such simple and biased portrayals of politics were theoretical and ideological slogans rather than empirically valid statements. Frank G. Castles (1998: 27), probably the school's most pronounced representative, summarized the issue: “This assertion of the consequentiality of politics was once extremely valuable as an anti-dote to the prevailing orthodoxy that policy was merely a function of socio-economic forces (...)”. The “politics matters” group concentrated on the political determinants of welfare state development. However, once a variety of studies had demonstrated party politics had an impact on, for instance, the level of social spending or the extent of social inequality in a society, the “politics matter” group fell apart, leaving welfare state issues to (political) sociologists, particularly those inspired by the power resources approach as advanced by the Swedish sociologist Walter Korpi (see his 1985 theoretical paper).

Precisely at the time that the former “politics matters” protagonists as well as the “power resources” theorists (see Castles 1998; Stephens et al. 1999; Huber and Stephens 2001a) increasingly conclude that politics in the “old” sense (class, parties, unions) matters less and less for welfare state development and outcomes, welfare state issues have taken a much more prominent place on the research agenda of comparative political science (Pierson 1994, 1996, 2001a; see

Levy 1999). As Green-Pedersen and Haverland (2002; see van Kersbergen and Becker 2002) rightly stress, the debate on retrenchment and austerity, particularly since the publication of Paul Pierson's (1994) instant classic on the topic, has been almost entirely a political science affair. Arguments on how to explain retrenchment or the resilience of existing welfare regimes focus on "new" political variables such as party systems, the logic of elections, political institutions, and political learning. It is important to stress that the explanatory problem has shifted from "growth", "variation among advanced welfare state regimes" and "crisis" to the issue of the (theoretically) unexpected survival of the welfare state (see Kuhnle 2000; Pierson 2001a; Huber and Stephens 2001a; Swank 2002) and to the problem of understanding welfare state reform. "Underlining the severe pressures confronting mature welfare states does not, however, imply that the expected result is a collapse or radical retrenchment of national welfare states. Major policy reform is a *political* process, dependent on the mobilization of political resources sufficient to overcome organized opponents and other barriers to change" (Pierson 2001b: 411, my emphasis). To understand major policy reform as a political process is political science's current task.

### New politics?

The first step in this direction was also taken by Pierson and a crucial debate has arisen fairly recently around his claim that the "old" politics of welfare state growth is radically different from the "new" politics of austerity. Major policy reform is difficult because of two major strengths of the welfare state: first, the broad electoral support for core social programmes and accordingly the political unpopularity of cutbacks; and second, the rigidity of welfare state institutions that results from path dependent development and veto points that have the capacity to obstruct reform. The issue is whether this entirely novel situation implies that the old theories of expansion, variation, and crises are obsolete and unusable for explaining retrenchment.

Paul Pierson (1996: 178), who analyzes retrenchment policies at the level of single programmes, has argued that "frontal assaults on the welfare state carry tremendous electoral risks" and that retrenchment as a political issue should not be misunderstood as the mirror image of the growth of the welfare state. Welfare expansion usually generated a popular politics of credit claiming for extending social rights and raising benefits to an increasing number of citizens, while austerity policies affront voters and networks of organized interests.

The post-1945 welfare state has produced an entirely novel institutional context. Once welfare programs, like social housing and health care, were solidly established, they created their own program specific constituencies of clients and

professional interests. As a consequence, “the emergence of powerful groups surrounding social programs may make the welfare state less dependent on the political parties, social movements, and labor organizations that expanded social programs in the first place” (Pierson 1996: 147). Specialized social programmes in the policy areas of social housing, health care, education, public assistance, social security, and labour market management have indeed developed into institutionally separated and functionally differentiated policy domains. Therefore, a general weakening of social democratic and Christian democratic parties and the trade union movement – the main historical supporters of welfare state expansion – need not translate into a corresponding weakening of social policy. In his later work, Pierson (2001b: 428) stresses that different welfare regimes constitute different settings for the “new politics” of welfare state reform, and recognizes that as a result of this he may have underestimated the continuing political salience for welfare state politics of organized labour in some regimes.

Still, supported by strong popular attachments to specific policies, professional policy networks are able to muster substantial veto powers against reform efforts. Moreover, given the political salience and popularity of social policy, it is not easy to turn a political preference of “dismantling the welfare state” into an electorally attractive proposition. Shifting the goals from expansion to retrenchment imposes “tangible losses on concentrated groups of voters in return for diffuse and uncertain gains” (Pierson 1996: 145). On average, “retrenchment advocates thus confront a clash between their policy preferences and their electoral ambitions” (Pierson 1996: 146).

A number of researchers have contributed to Pierson’s general line of research by adding to or refining the argument, for instance by stressing the role of coalition politics (Bonoli 2000), the potential and risks of concentrated political power (e.g. in France, Great Britain and Switzerland; Bonoli 2001), by looking at the particular institutional configuration that determines retrenchment (Swank 2001) or the domestic institutional “refraction” of international pressures (Kitschelt et al. 1999), by highlighting the effect of the party system, party competition and party strategy (Levy 1999; Ross 2000; Green-Pedersen 2001; Kitschelt 2001), and by pointing to framing and the role of discourse to overcome electoral and institutional resistance to major policy reform (Cox 2001; Schmidt 2000; a good overview is provided by Green-Pedersen and Haverland 2002).

The former “politics matters” researchers as well as those who adhere to the “power resources approach” (Huber and Stephens 2001a, b) empirically corroborate the Pierson-thesis and conclude that for austerity and retrenchment (public employment in Scandinavia is the exception) class and politics matter less and less, because an institutional rather than a political logic governs the adaptation of welfare states. Huber and Stephens (2001a), however, have amended the more crude versions of the path dependency argument by pointing to the

importance of the so-called ratchet effect. This effect points to the phenomenon that once established social policies quickly gain momentum and that popular support has tended to increase after social programmes have been introduced. As a result, the mass opposition against retrenchment, particularly of pension, education and health care programmes, is generally much stronger than the support for their introduction tended to be.

It is also because of path dependency, the ratchet effect and other not strictly political mechanisms that Myles and Quadagno (2002) have turned to the first, "pre-political" generation of research as a source of inspiration for understanding current developments in welfare state restructuring. The "logic of industrialism" approach, for instance, correctly stressed the causal primacy of industrialization and argued that the welfare state was by and large the answer of society to the growing needs of its population. Industrialization created a demand for welfare by destroying the traditional bonds of kinship, family ties, and the guilds, which were the main institutions providing social security. The development of industrial society brought along economic growth, urbanization, and demographic change.

Population aging, one of the correlates of industrialization, has clearly been a major factor governing recent welfare state retrenchment and restructuring. In this sense, old theory is still relevant. However, as Myles and Quadagno (2002: 51) correctly argue, current change is as much economic and social as it is demographic, if only because of the existing massive institutional commitments to pensions. Postindustrial development, too, has a whole set of new "correlates", of which the increasing labour market participation of women, the changing family structures and declining fertility rates are the most important ones (see Esping-Andersen 1999). Still, the "logic" of the argument is similar and the idea is that still much can be learned from old, pre-political theory.

The "logic of industrialism" approach stressed that rapid economic growth not only created the need for welfare state intervention, but also the resources to do so. Scarbrough (2000) has stressed that trends associated with industrial development (urbanization, individualization, changes in family structures, increasing reliance on wage labour) are still paramount and hence permanently reinforce needs or generate new demands. At the same time, affluence, continued (although slower) economic growth and the considerable administrative capacity of the state, still provide the resources and means for the welfare state. Interestingly enough, neither the quantitative comparisons nor the comparative case studies by Huber and Stephens (2001a) confirm the industrialism thesis. The difference between Scarbrough's study and the Huber and Stephens book is probably explained by the fact that only the latter explicitly study population aging as an important correlate of industrialization. An important finding of Huber and Stephens, however, is that variation in social spending in advanced

welfare states cannot be explained by differences in the composition of the population. "It is clear", Huber and Stephens (2001a: 335) argue, "that demographic factors, that is, dependency ratios that turned unfavorable, have been and will continue to be challenges for welfare states. However, (...) dependency ratios depend not only on the relative size of different population groups, but also on the overall activity rates that vary greatly across countries".

Scarborough also points to the continued relevance of those theories that see the welfare state as an aspect of modernization and development, especially nation-building. Welfare states are still appropriate elite strategies of social and political incorporation and developments such as internationalization reinforce the threat of social exclusion. Her conclusion is that there are "good grounds for the presumption that state intervention to ensure some degree of security and equity among its citizens remains central to societal cohesion and political order" (Scarborough 2000: 240). It is conspicuous that on this issue, political science is relatively quiet.

Obviously, one could also make the argument that sluggish productivity growth and mass unemployment deteriorate the conditions for the maintenance of the welfare state or its further expansion and create an environment that is much more predisposed to welfare and tax backlash. Moreover, "*postindustrialization*", i.e. the employment shift (and the accompanying change in the occupational structure) from manufacturing to services, reinforces slow productivity growth. The point is that the "logic" of the argumentation is identical to the "logic of industrialism".

In Esping-Andersen's (1999) analyses, postindustrialism leads to serious trade-offs, particularly between protecting labour market insiders and creating opportunities for outsiders and, more generally, between employment and equality. The employment-equality problem stems from various sources. First, job growth must emerge from the (social and consumer) service sector, but this sector tends to produce low skilled or unskilled and therefore low-paid jobs. Second, the service sector lags behind the industrial sector in terms of productivity growth, resulting in a downward pressure on wages (or declining employment) in the former sector. Third, the rising supply of labour, especially of women, must largely be absorbed in the low paid, low skilled (personal, social) service sector, adding to the already downward pressure on wages and at the same time causing other problems and creating new risks (e.g. shortage of child care, low fertility rates). The fundamental dilemma seems to be that job growth in the service sector can only occur at the expense of rising inequality.

Iversen and Wren (1998) even identify a postindustrial *trilemma* between budgetary restraint, wage equality and employment growth, where only two of these three policy goals can be successfully pursued simultaneously. "Because budgetary restraint precludes any rapid expansion of public sector employment,

governments wedded to such discipline must either accept low earnings equality in order to spur growth in private service employment or face low growth in overall employment. Alternatively, governments may pursue earnings equality and high employment, but they can do so only at the expense of budgetary restraint" (Iversen and Wren 1998: 513). This is especially a problem for the welfare states that are members of the EU, since they agreed to adhere to the stability criteria of Economic and Monetary Union (EMU) that compel governments to strive for balanced budgets and in any case rule out budget deficits over 3 per cent of Gross Domestic Product (GDP).

There is wide agreement that in the postwar period cross-national variation in welfare state development – under conditions of continuing industrial development – could by and large be explained by the variation in class structure, class coalitions, the strength of political parties and unions as well as by the institutional setting in which these forces struggled. Huber and Stephens (2001a), in their masterful comparative and historical study of the development and crisis of postwar welfare states, show that political choice (influenced if not determined by the power of political parties, unions, and women's organizations) has been essential for the formation of welfare state regimes. Political struggles have always taken place in the context of political institutions and choice has been shaped accordingly. Huber and Stephens (2001a: 317) demonstrate, for both expansion and retrenchment, that "constitutional provisions that concentrate power facilitated, and provisions that disperse power obstructed, the passing of major pieces of welfare state legislation".

The effects of power concentration are generally well documented in studies of welfare state reform in the United Kingdom and New Zealand (see on the UK: Pierson 1994; Rhodes 2000; see on New Zealand: Schwartz 2000). Switzerland is the case where the effects of the dispersion of power probably best explain the government's limited capacity to introduce or reform social and economic policy at all. As Bonoli and Mach (2000: 166) accurately put it:

"Institutional fragmentation among three distinct tiers of government, the delegation of monetary policy to an independent central bank, the important role played by the social partners in the regulation of the labor market, and the segmented character of state-society relationships – all these factors prevent the government from being able to coordinate initiatives undertaken in these different arenas of social and economic policy. Policy responses requiring intervention in a number of different areas are thus particularly difficult to implement. The result is that the degree of influence that politicians can hope to exert on the economy is more limited than in most other European countries".

This is not to argue that reforms are impossible (see Bonoli 1999), but that they are difficult. In fact, the existence of multiple veto points in the legislative pro-

cess, particularly referendums, reinforces this relative political powerlessness, currently curtailing and slowing down the process of policy reform in Switzerland, albeit with variation in different policy areas.

For this and comparable reasons, there is growing consensus among research (Hicks 1999; Stephens et al. 1999; Huber and Stephens 2001a, b; Swank 2002) who argue that “politics matters” in a very different way (or not at all) for how welfare states cope with the contemporary challenges, especially the postindustrialization of labour markets and economic internationalization. As Myles and Quadagno (2002: 52) put it:

“Political accounts of the earlier period of post-war expansion – the claim that politics matters – emphasized the role of political actors (...). In contrast, explanations of refracted divergence during the last quarter century – the variety of responses to globalization and postindustrialization – have instead emphasized the decisive role of political institutions (...): thus the partisan (left-right) composition of government matters less than the presence of corporatist decision-making institutions”.

In general, those who argue that the old *political* theory that was designed to explain the expansion of the welfare state cannot explain retrenchment and restructuring, frequently revert to either old theories that preceded the “politics matters” school, particularly the “logic of industrialism” approach and elite-oriented modernization (nation-building) theory, but also – although here I will not elaborate this – Marxist analyses of the capitalist state (this holds particularly for much of the globalization literature, see e.g. Boyer and Drache 1996) or institutional arguments that clarify the difficulties of reform. However, there is a slight risk that with the revival of “old” theory researchers will repeat “old mistakes” too.

### **Institutionalism and the dependent variable problem**

Quantitatively oriented studies have tended to equate welfare state expansion with increasing social spending, usually expressed as some percentage of GDP. It was, of course, Esping-Andersen’s (1990) respecification of the dependent variable that radically changed all this. Starting from the judgement that “expenditures are epiphenomenal to the theoretical substance of welfare states” (1990: 19) and the reflection that “it is difficult to imagine that anyone struggled for spending *per se*” (1990: 21), he suggested that the study of welfare states had much to gain by looking at the quality of social rights, the typical patterns of stratification, and the manner in which the state, the market and the family interacted in the production of work and social welfare. In this way, Esping-Andersen was able to distinguish three types of welfare state regimes (social

democratic, liberal and corporatist or conservative) which differed with respect to the major institutions guaranteeing social security (the state, the market or the family); the kind of stratification systems upheld by the institutional mix of these institutions (the extent of status and class differentiation, segmentation and inequality typically implied in social security systems); and the degree of decommodification, that is to say "the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation" (Esping-Andersen 1990: 37).

Sometimes the choice for adopting a narrow understanding of the welfare state as social security and neglecting social services is justified by stressing that transfer payments are at the heart of the welfare state. However, much of the retrenchment literature has shown a continuous tendency to relapse into the pre-Esping-Andersen expenditure oriented specification of the welfare state as the dependent variable. Occasionally, therefore, unwarranted regression into a theoretical underspecification of the dependent variable leads to empirical-analytical fallacies or inconsistencies.

It is worthwhile to elaborate this issue somewhat further. Goodin et al.'s (1999) innovative and stimulating study of the "real worlds of welfare" focuses on what difference it makes under what type of welfare state regime individuals actually live. Its central finding is that the "social democratic welfare regime", exemplified by the Netherlands, is superior to all other regimes, not only if one assesses outcomes measured against the regime's own goals, but also if one looks at the goals set internally by the liberal (United States) or corporatist (Germany) welfare regimes. It turns out that the "social democratic welfare regime" simply outperforms the other regimes even on their own grounds, both socially (poverty, equality, social integration and stability, autonomy) and economically (efficiency). "Thus, no matter which of the goals you set for your welfare regime, the social democratic model is at least as good as (and typically better than) any other for attaining it" (Goodin et al. 1999: 260).

The study's major weakness concerns its rather narrow operationalization of the critical regime concept only in terms of public transfers, which, in fact, contradicts the very theoretical purpose of the regime concept itself. The regime concept was originally meant to move away from the public spending bias in much welfare state research and to focus on theoretically less epiphenomenal features such as the state-market-family mix in a nation's search for work and welfare, social stratification, the institutional accommodation to full employment and, of course, decommodification. Goodin et al. (1999) seem to forget the theoretical point and narrow the regime concept to decommodification. As a result, their operationalization of a welfare regime is solely done in terms of public transfers. It is this theoretical and empirical contraction of the regime concept that also explains why the Netherlands can be defended as the archetypical social demo-

cratic welfare state, because the Dutch welfare state is indeed a transfer-state *par excellence*. But why are (generous) transfers a typical social democratic feature? This choice is not justified theoretically. In fact, the single most consequential choice of the study is to look at the tax-transfer aspects of countries' welfare regimes rather than at other equally important regime characteristics. Although issues of typologies and classification remain highly controversial (see Arts and Gelissen 2002), it is only because of this, that the Dutch welfare state could be portrayed as the archetypical social democratic welfare state, where other studies (e.g. van Kersbergen 1995; Huber and Stephens 2001a) would classify the Netherlands either as a Christian democratic or at most a hybrid welfare state (on the Dutch welfare state, see Visser and Hemerijck 1997; Hemerijck, Unger and Visser 2000).

There is, also in a more general sense, an interesting parallel between the expansion literature and the retrenchment and reform literature as both have struggled with the problem of how to define and operationalize the dependent variable. Theoretically, there is confusion around the question "what is to be explained"? Is it the crisis or end of the welfare state? Is it cross-national variation in the patterns of retrenchment? Is it the reconstruction of the welfare state? Is it the persistence of welfare states? Is it the convergence of regimes?

Pierson (2001b) observes that there is a lack of consensus on outcomes, particularly with respect to the issue of how much welfare states have actually changed since the Golden Age of growth, that is to say roughly since the 1980s. For instance, where Pierson (1996) looks at social spending, particularly transfer payments, and concludes that there has been no radical dismantling of welfare state arrangements, Clayton and Pontusson (1998) criticize this thesis by pointing to the fact that if one looks at the organization of the public sector, particularly the delivery of social services and the development of public employment, one can observe significant retrenchments and strongly market-oriented reforms, even in the social democratic welfare state of Sweden. In fact, Clayton and Pontusson go so far as to argue that current reforms (retrenchment) tend to have an anti-service bias which is not picked up if one studies transfer payments only. By contrast, Levy (1999) finds that especially welfare state reform in Christian democratic regimes cannot be described either in terms of pure retrenchments of transfer programs or in terms of an anti-service bias (if only because these welfare states are service-lean anyway). His argument is that these welfare states "are not locked into zero-sum trade-offs between the pursuit of efficiency and the pursuit of equity" (Levy, 1999: 265). In fact, successful reform implies turning vice into virtue, that is, "targeting inequities within the welfare system that are simultaneously a source of inefficiency" (idem).

According to Pierson (2001b), the controversy over the dependent variable is first of all a result of the indistinctness of the concept of the welfare state itself.

Too many and quite divergent phenomena are discussed under the same heading. In other words, contemporary welfare state research suffers from a weakness well known in comparative politics: concept stretching. Related to this is the problem of which data to use for the operationalization of “the welfare state”. Also, most theories so far are still based on the analysis of data of the early 1990s, whereas the most significant changes may be of more recent date (van Kersbergen 2000). Finally, Pierson also notices theoretical weaknesses that concern the implicit assumption in many studies that one can measure welfare state change along a single scale. He observes that there has been a tendency to reduce the problem of welfare state retrenchment and reform to a dichotomy of “less” versus “more” and “intact” versus “dismantled”, which is an unwarranted theoretical simplification. He proposes to emend this and improve our understanding of welfare state change by looking at three dimensions:

- (1) Recommodification: the attempt “to restrict the alternatives to participation in the labour market, either by tightening eligibility or cutting benefits” (Pierson 2001b: 422), that is to say strengthening the whip of the labour market;
- (2) Cost containment: the attempt to keep balanced budgets through austerity policies, including deficit reduction and tax moderation;
- (3) Recalibration: “reforms which seek to make contemporary welfare states more consistent with contemporary goals and demands for social provision” (Pierson 2001b: 425).

Obviously, as Pierson (2001b: 425) himself points out, this is “tricky territory analytically”, because it may be very hard to “distinguish the impact of new ideas about how to do things, or efforts to recalibrate errant programs, from simple cutbacks in provision”. The way to go about to try to solve the dependent variable problem is 1) to make sense, both theoretically and empirically, of welfare state reform by carefully elucidating and documenting what kind of changes are taking place and 2) to explain cross-national variation in change along the various dimensions of welfare state reform by trying to uncover the causal forces and mechanisms that drive these processes. In addition, path dependency arguments need to take into account that there are different welfare state regimes, so that there are different paths of adjustment.

Making use of the strengths of the regime-approach as elaborated by Esping-Andersen (1990, 1999) and the country and policy area studies he brought together in his edited volume, Pierson (2001b) infers that each regime (social democratic, liberal or conservative) is characterized by its own specific “new politics” of welfare state reform. So, in the liberal regime voters are less likely to be attached to the welfare state than in the conservative or social democratic

models. Recommodification is here the pivotal feature of welfare state reform. In the social democratic welfare regime, voters are highly attached to, and dependent on, the welfare state. Recommodification is not so much on the political agenda of reform, but – if only because of the sheer size of the public sector – cost containment is. The conservative regime is probably the most ill-adapted model of the three worlds of welfare capitalism, as a result of which recalibration and cost containment are the two dimensions of reform that dominate. Here the issues are how to stimulate job growth in the underdeveloped service sector and how to contain the exploding costs of pensions, disability, and health.

### Conclusion

Although Pierson has considerably improved our understanding of contemporary welfare state development, not only by his specification of welfare state change, but also by bringing together a distinguished group of researchers for well investigated country and policy area studies, his analyses still suffer somewhat from a weakness that is inherent to the institutional approach. Institutional analyses are very well capable of explaining institutional *resilience*, but have much more difficulties with understanding institutional and policy *change*. For a large part, this problem is caused by an exaggerated emphasis on institutions as rules of the game that seem to affect the political process of reform semi-autonomously and as if power does not matter.

There seems to be a growing awareness of this problem. Researchers have started to look for ways in which to make institutional, especially path dependent analyses, much more dynamic and much more sensitive to the intricacies of politics and policy-making. Especially the underresearched issue of causal mechanisms connecting cause (e.g. pressures or challenges) and effect (e.g. welfare state reform in whatever dimension) is attracting more and more attention. So, Hemerijck and Schludi (2000; see also Hemerijck and van Kersbergen 1999) focus on policy adjustment in terms of a trial and error of *policy learning*, where adjustment follows a sequential logic of various orders of change (changing policy instruments, policies, institutions, goals).

Another proposition concerns the role of discourse in policy change. “In order to succeed with unpopular reforms (...), governments must be able to dissociate the self-serving protest of disadvantaged interest groups from the support of the moral majority. This (...) can be achieved only through discourses that seek to demonstrate that reform is not only necessary, by giving good reasons for new policy initiatives, but also appropriate, through the appeal to values (...). (N)o major and initially unpopular welfare-state reform could succeed in the medium term if it did not also succeed in changing the underlying

definition of moral appropriateness" (Schmidt 2000: 231).

If institutionalist analyses do encounter their limits when trying to explain change or reform, it may make sense to return to a political sociology approach that stresses the importance of power resources, not just for understanding the development and crisis of the welfare state, the relevance of which Huber and Stephens (2001a) have demonstrated, but also for formulating new questions and hypotheses on welfare state reform that go beyond the issue of institutional resilience. Let me then simply conclude this review by formulating four fairly straightforward propositions. First, existing welfare institutions are the "condensation" of power relations prevailing at an earlier time. Second, at least part of the political power struggle over social policy reform is about how to put welfare institutions into action or about their transformation. Third, traditional politics is about defending those welfare institutions that are, and about blocking those welfare state reforms that are not, beneficial to established positions of power. Finally, the "new politics" of welfare state reform is about attempting to reform the welfare state in such a way that the reforms are simultaneously investments in future power resources. These propositions are an indication of the direction political science research on the welfare state could or should go.

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## Die Politik der Wohlfahrtsstaatreform

Dieser Artikel präsentiert und diskutiert den aktuellen Kenntnisstand in der politikwissenschaftlichen Forschung über Wohlfahrtsstaatreformen. Während man anfangs versuchte, vor allem die Herausbildung und das Wachstum von Wohlfahrtsstaaten zu verstehen, sowie die Unterschiede zwischen den Ländern bei der Entwicklung und die Krisen von Wohlfahrtsstaatregimen, konzentriert sich die neuere Forschung mehr auf die Langlebigkeit und Reformen der bedeutendsten wohlfahrtsstaatlichen Institutionen. Diese Forschung verfolgt einen institutionalistischen Ansatz, über den der Einfluss der institutionellen Struktur auf Richtung und Möglichkeit von Reformen gemessen wird. Wichtige Gesichtspunkte sind auf diese Weise in den Vordergrund gerückt worden wie zum Beispiel die Rolle der Pfadabhängigkeit und von Veto-Spielern in Reformprozessen. Trotzdem lassen sich zwei Probleme des institutionalistischen Ansatzes benennen: erstens, die Schwierigkeit, die abhängige Variable in geeigneter Weise zu definieren und, zweitens, die Vernachlässigung von Machtressourcen im Reformprozess.

## Les politiques de l'Etat-providence

Cet article présente et discute l'état de la recherche en science politique sur les réformes de l'Etat-providence. Alors que les chercheurs ont dans un premier temps cherché à expliquer l'émergence et la croissance de l'Etat-providence, les variations nationales et ses crises, l'attention s'est récemment portée sur la persistance et les réformes des institutions majeures de l'Etat-providence. Les recherches dans cette direction ont typiquement adopté une perspective néo-institutionnaliste, cherchant à comprendre comment les caractéristiques institutionnelles affectent la faisabilité et la direction des réformes. Ces études ont mis en lumière des aspects importants de la question, notamment en montrant le rôle des phénomènes de "dépendance de sentier" et des "veto players" dans les processus de réforme, mais ont souffert de deux problèmes principaux: la difficulté à définir une variable dépendante d'une manière appropriée et la négation de l'importance des ressources de pouvoir.

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