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21st Century Welfare Provision is more than the 'Social Insurance State'

- A reply to Paul Pierson -

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Summary

This article reflects on the important lecture ‘The Welfare State Over the Very Long Run’, delivered by Paul Pierson, at the London School of Economics on 8 November 2010, on the occasion of the launch of *Oxford Handbook of the Welfare State*. Pierson’s explanation for what he sees as the surprising stability of the welfare state over the past three to four decades of “permanent austerity” is largely rooted in fears of electoral retribution and organized interest opposition against social reform (cf. Pierson 2011).

While, in a nutshell, Pierson’s lecture was a restatement of his famous ‘new politics’ thesis with a nod to rival theoretical accounts, the present paper tries to go beyond Pierson’s account of change-resistant welfare states by adding a number of empirical aspects and theoretical dimensions to the debate on the long-term transformation of the welfare state. Empirically, on the one hand, the paper highlights several significant qualitative changes in social insurance provision, macroeconomic policy priorities, labor market policy and regulation, industrial relations, old age pension, social services and social policy administration, that are largely absent from Pierson’s portrayal, also given his choice of data. The observation of profound social reform raises important theoretical issues for the comparative study of welfare state development. Here the paper points to underappreciated theoretical mechanisms, especially dynamics of policy learning in mature welfare state.

In sum, the paper observes more profound change on the dependent variable requiring both a softening and updating of the theoretical biases to path-dependent institutional inertia. If policy makers, contrary to received wisdom, do engage in major reforms in spite of many institutional obstacles and negative political incentives, what distinguishes these actors and the institutional conditions under which they operate, from the seemingly more general case of welfare inertia? In conclusion, the article argues that the readiness to use information feedback from past performance, new ideas and expertise and the inspiring reforms successes in many countries, should count as important conduits or mechanisms explaining reforms.

Zusammenfassung

Dieser Artikel beschäftigt sich mit dem bedeutenden Vortrag „The Welfare State Over the Very Long Run“, den Paul Pierson anlässlich der Herausgabe des *Oxford Handbook of the Welfare State* am 8. November 2010 an der London School of Economics gehalten hat (vgl. Pierson 2011). Piersons Erklärung für die seiner Meinung nach bemerkenswerte Stabilität des Wohlfahrtsstaates in den von "permanenter Austerität" geprägten vergangenen drei bis vier Jahrzehnten basiert im Wesentlichen auf der Angst der politischen Eliten vor der Abstrafung an der Wahlurne und dem Widerstand organisierter Interessen gegen Sozialreformen.

Vorliegender Aufsatz beleuchtet sowohl die empirischen als auch die theoretischen Grenzen dieser These eines wandlungsresistenten Wohlfahrtsstaates. In empirischer Hinsicht weist er auf eine nicht unerhebliche Anzahl von qualitativen Veränderungen hin, etwa auf der Ebene der Sozialversicherung, makroökonomischer Politikprioritäten, der Arbeitsmarktpolitik und -regulierung, der Beziehungen von Arbeitgebern und Arbeitnehmern, Renten, sozialen Dienstleistungen und der Sozialverwaltung. Die Beobachtung grundlegender Sozialreformen werfen wichtige theoretische Fragen für das vergleichende Studium wohlfahrtstaatlicher Entwicklung auf: Was unterscheidet politische Entscheidungsträger und die institutionellen Bedingungen, unter denen sie agieren, von dem anscheinend weitaus üblicheren Fall von Reformträgheit, wenn diese Akteure - entgegen der landläufigen Meinung - trotz einer Vielzahl institutioneller Hindernisse und negativer politischer Anreize umfassende Reformen anstoßen? Als Schlussfolgerung argumentiert dieser Aufsatz, dass die Lehren vergangener Performanz, neue Ideen und Expertisen sowie anregende Reformerfolge in vielen Ländern als wichtige Mechanismen gelten müssen, mit denen sich wohlfahrtstaatliche Veränderungen erklären lassen.

Content

1. Introduction

The welfare state has people worried in the aftermath of the deepest economic crisis since the Great Depression. For member states of the European Union, where collective coverage of modern social risks is more comprehensive compared to other geopolitical regions across the globe, the long-term social and economic consequences of the 2008-2011 financial crisis mark a serious ‘stress test’ for 21st century welfare provision. The global economic crisis is fundamentally redrawing the boundaries between states and markets, and in the case of Europe, also between the traditional nation-state and the institutions of the European Union. Will the recent recession, like its Great Depression and “great inflation” predecessors, mark a new opportunity to reconfigure and re-legitimize social policy? Or, are European welfare states in danger of becoming a *crisis casualty* in the cascade of violent economic, social, and political aftershocks, unleashed by the first crisis of 21st century global capitalism?

For over a quarter century, academic observers, policy makers, and opinion leaders have engaged in a seamless debate of the welfare state in crisis. Some have even prophesized its demise. In his highly stimulating lecture, ‘The Welfare State Over the Very Long Run’ (cf. Pierson 2011), delivered at the London School of Economics in November 2010, on the occasion of the launch of *Oxford Handbook of the Welfare State* (Castles et al., 2010), Paul Pierson, one of the leading academic experts in comparative welfare state research, provocatively takes the opposite position. Given that the “age of austerity” has waged for almost four decades, Pierson is surprised to see how stable the welfare state at its core has remained over the past decades. There have surely been curtailments in replacement rates and coverage in social programs, but by and large such retrenchment efforts have been relatively modest in the more affluent democracies. Other than that, there is little welfare state change to explain. To wit, welfare provision today is more universal than 30 or 40 years ago, despite relentless social and economic pressures and concerns about fiscal sustainability.

Pierson’s explanation for the surprising stability of the welfare state is very persuasive, to the point of being quite self-evident. Rolling back social programs, introduced during “Golden Age” of post-war prosperity, is politically very difficult to do. Social programs, like pensions, are hugely popular. The welfare state has, in its wake, created very powerful interest constituencies, strong enough to oppose substantive reform at a later stage. In addition, pre-committed resources of past policy choices ‘lock in’ present social provisions and, as a consequence, constrain budgetary leeway for social policy innovation. In a number of classic publications since the mid-1990s, Pierson has advanced the conjecture that welfare states have in recent decades become exceedingly change-resistant, despite mounting social, demographic, economic, and fiscal pressures. From this reading, Paul Pierson has characterized the contemporary welfare state in earlier publications as *immovable objects* facing *irresistible forces* in an era of *permanent austerity* (1994; 1998; 2002; 2004).

To say that the modern welfare state is pretty resilient, however, is not to say that it is in good shape. In the wake of the global financial crisis, costly bank bailouts, automatic stabilization, tax cuts, and other initial stimulus measures, drained the public purse. This has resulted in a "double bind" of rising social protection expenditures and declining government revenues. In the spring of 2010, the Greek sovereign debt crisis confronted the European economy with a new and challenging crisis aftershock, and contagion fears spread across the weaker periphery of the euro zone. The EU ultimately came to the rescue of Greece and other weak economies with a general bail-out package. Next, Greece, Spain and Portugal staged impressive fiscal consolidation programs, including significant welfare retrenchment and labor market reform. Soon after, conservative governments in Germany, France, Italy, the UK, and the Netherlands launched austerity measures, and moved away from the post-Lehman Keynesian crisis management.

Will the aftermath of the crisis usher in a period of more social retrenchment? Pierson is not optimistic: after four decades of institutional tinkering, the era of austerity has finally begun! Because the modern welfare state, as a popular and deeply anchored policy system, has been so single-mindedly driven by the politics of fear of electoral retribution, special interest capture, and past policy lock-in, it runs the risk of becoming obsolete. In their obsession with fighting and defending of the welfare status quo, social policy makers and organized interest constituencies have been unable to adjust, adapt and update their welfare programs to the new rules of international competition, the new shape of family life, the new flexibility of labor markets, the new realities of immigration and demographic ageing. As contemporary welfare states are increasingly maladapted to changing economies and societies, Pierson is not expecting another full-blown assault on social protection akin to the 1980s high-profile ideological attack on the welfare state of the likes of Margaret Thatcher and Ronald Reagan. Rather, he believes that the heavily fortified welfare state will most likely be outflanked, just as the "Maginot Line", built before World War II on the East frontier of France, failed to prevent invasion by the Nazi army.

Today, welfare state opponents, including right-of-centre governments and the international business community, are more likely to use political tactics of "policy drift", tailoring tax, financial, social policy, corporate governance policies to the interests of the economically privileged in an attempt to restore growth and competitiveness. In this respect, Pierson conjectures that the recent experience of the United States may serve as a precursor for Europe. A frontal political attack is neither wise, nor necessary, as incremental program exhaustion will see to welfare state's gradual demise in the 21st century. In the process, to be sure, the social needs and welfare preferences of the middle and lower classes will take a residual back seat (Hacker and Pierson, 2010).

Although Pierson's highly evocative account of past policy experience, together with his speculative conjecture about the welfare state's future in the aftermath of the banking crisis, is highly plausible, I take issue with him on both empirical and theoretical counts. To say that the welfare state is largely unable to adapt to environmental change, as if policy makers are wholly unresponsive to the contextual economic and social pressures, except in times of deep crises, is, of course, to beg some important empirical and theoretical questions. My argument below is more nuanced about the extent of social policy change over past decades and more positive about the welfare state futures. We are all familiar with cases of stalled social reforms that fit Pierson's social policy inertia story line. The failed pension reforms of Juppé in France and Berlusconi in Italy in the mid-1990s, immediately, spring to mind. But how widely applicable is the welfare inertia conjecture? To what extent is "Reformstau" or reform backlog the rule or the exception to contemporary welfare state development? The issue at stake is whether what has been coined the case of welfare immobilism is really representative of the more general evolution of contemporary social policy since the last decade of the 20^{th} century?

I agree with Pierson, that the seemingly mundane empirical question *how much change is there to explain?* is riddled with ambiguity. It very much depends on where you look empirically on the basis of what prior expectations. *What kind of policy change do we consider significant?* Most comparative welfare state scholars focus on large-scale programs of social insurance, ranging from unemployment insurance, disability and sickness benefits, survivors and old age pensions, as they define the core of the modern post-war welfare state. As a consequence, these scholars tend to overlook critical social provisions, including macroeconomic management, taxation, labor market policy and regulation, education and vocational training, which clearly also shape, albeit more indirectly, but no less important than social insurance, citizens' material life chances.

It is true that social insurance, together with health care, constitute the largest expenditure items of the modern welfare state, but to view social insurance as the *pars-pro-toto* of the modern welfare state hides an important selection bias. Such a selection bias could be particularly problematic when the aim is to answer the question whether welfare states are responsive to new economic realities and new social needs. It is true, with respect to government social expenditures; mature European welfare states indeed seem remarkably stable. From the early 1990s to 2003, total public social spending as a proportion of GDP generally absorbed between 25 and 30 percent of GDP (Begg et al., 2008; Castles, 2004; see also OECD, 2008).

From the overall upward trend of social expenditure levels as a percentage of GDP from 1980s to the early 2000s across the OECD countries, Pierson conjectures, institutional continuity rather than change best captures the dynamic of welfare state development since the late 1970s. Is this conjecture of long-term social policy consolidation appropriate? I believe not. It could well be that innovations in policy areas adjacent to social insurance may be very effective in mitigating new social risks. Cumulative research into social insurance has surely deepened our understanding over the past two decades. But by declining to take seriously how social insurance program are embedded in and interact with broader economic and social policy provisions, we may well have lost sight of welfare relevant public policy changes over the recent period of rapid social and economic restructuring in other relevant policy areas. The welfare state is more than the "social insurance state".

2. A short history of profound social reform

Behind stable government social spending, and only tepid benefit retrenchment, in terms of coverage and replacement rates, the welfare state, it is my contention, has experienced profound institutional transformation. From a public policy perspective, modern welfare regimes can be conceptualized as complementary packages of interdependent social policy provisions (Hemerijck/Schludi, 2000). As an encompassing policy repertoire, the welfare state stabilizes effective demand, regulates labor markets, far beyond the traditional instruments of employment protection legislation and unemployment insurance. Effective labor market policies are contingent on social insurance activation, but also on education and training, and even health care. All these provisions impact on life chances. Furthermore, childcare provision critically influences female labor market participation. Pensions regulate orderly transitions out of employment in old age, enabling employers to effectively manage their labor force. Together different social provisions shape the life course by creating predictable transitions between work, care and spells of inactivity and the timing of education, family formation and retirement.

For an adequate understanding of the dynamic of especially contemporary welfare state development under the new rules of global competition, the new shape of working life, the new realities of family and gender relations, and demographic aging, there is an even greater need to unravel the interaction and spillover effects across a broad range of interdependent areas of social and economic regulation, beyond passive social insurance protection. Welfare states are multidimensional policy systems, made up of interdependent social and economic policy repertoires with different dimensions. As a social risks mitigating device, it is particularly necessary to consider how macroeconomic policy, labor market regulation, social insurance, and taxation work together to reduce the risks of poverty, unemployment, and social and labor market exclusion. I propose to briefly look at some key policy changes across time: 1) macroeconomic policy (including fiscal, exchange rate, and monetary policy); 2) wage bargaining and industrial relations; 3) labor market policy and regulation; 4) social insurance and assistance; 5) old age pensions; 7) family and social servicing; 8) welfare financing and taxation, and 9) social policy administration and implementation. I concentrate on the recent social reform momentum in the member states of the European Union.

In *macroeconomic policy*, Keynesian priorities were prevalent until the late 1970s, with full employment as the principal goal of macroeconomic management. After 1980, macroeconomic policy gave way to a stricter policy framework centered on economic stability, hard currencies, low inflation, sound budgets, and public debt reduction, culminating in the introduction of the European Monetary Union (EMU) (Dyson and Featherstone, 2000; Scharpf, 2000; Eichengreen, 2007; Lindvall, 2010).

In the field of *wage policy*, the 1980s saw a reorientation in favor of market-based wage restraint in order to facilitate competitiveness, profitability, and employment under conditions of increasing economic internationalization. Wage moderation has in many countries been pursued through social pacts between the trade unions, employer organization and government, often linked with wider packages of negotiated reform that have made taxation, social protection, pension and labor market regulation more 'employment friendly'. In the 1990s, the EMU entrance exam played a critical role in national social pacts in the so-called hard-currency latecomer countries, such as Italy, Spain and Portugal (Levy, 1999; Pochet and Fajertag, 2000; Jon Erik Dølvik, 2004; Baccaro and Simoni, 2008; Avdagic et al, 2011).

In the area of *labor market policy*, in the 1990s, the new objective became maximizing employment rather than inducing labor market exit. Spending on active labor market policies in most OECD countries has increased considerably from the 1990s and the mid-2000s, in the context of falling unemployment rates, mobilizing women, youth, older workers, and less productive workers through early intervention, case management and conditional benefits gained sway (Clasen and Clegg, 2006; 2011). Bonoli (2009: 56–7) convincingly argues that the novelty of the new approach lies in the combination of investment in human capital and stronger work incentives. In all countries (except Italy) we see an increase in active labour market policies, although some countries stress human capital investment (the Nordic countries and France), while others emphasize facilitating labour market re-entry (The Netherlands, Germany, the United Kingdom). A series of labour market reforms in Denmark over the 1990s gradually implemented a right and a duty to activation. This included the introduction of mandatory, individual action plans that activate the unemployed within three to five months and the abolishment of a system that passively accorded generous benefits (Albrechtsen, 2004: 224).

With respect to *labor market regulation*, several European countries have moved towards greater acceptance of flexible labor markets. It was the introduction of these 'active' elements into the Danish labour market, mentioned above, gave rise to the "flexicurity" model (Campbell and Hall, 2006: 30; see also Madsen, 2006). This model triangulates 'flexible labour markets, generous unemployment benefits, and active labour market policies, coordinated to reduce unemployment and improve the quality and supply of workers to the labour market, with the aim of correcting the imbalance between an inflexible labor market for core workers and insecure labour market condition for the growing contingency workforce (Schmid, 2008). The Danish model of easy hiring and firing, generous unemployment benefits and active labour market policy, was hailed by the European Employment Strategy (EES) as exemplar for simultaneously enhancing flexibility and security in the labour market, thus reconciling employers' need for a flexible work force with workers' preference for employment security. In the Netherlands, agreements between the social partners struck a winning balance between flexible employment afforded by safeguarding social security and the legal position of part-time and temporary workers, in exchange for a slight loosening of employee dismissal legislation (Visser and Hemerijck, 1997). The 2000 Working Hours Act now gives part-timers an explicit right to equal treatment in all areas negotiated by the social partners (Vis et al. 2008). Meanwhile, governments in many European countries have increased the leverage for temporary work agencies and the scope for fixed-term contracts since the 1990s.

In terms of *social insurance* and *assistance*, the generosity of benefits has been curtailed. Access to social insurance for inactive able-bodied persons has become progressively conditional on participation in training and counseling programs and behavioral requirements, such as job search obligations (Van Gerven, 2008; Weishaupt, 2010). Social insurance benefits have become less status confirming through the weakening of earnings-related benefit provision and by harmonizing benefits across different risk categories. On the other hand, policymakers have strengthened minimum income protection, coupled with more "demanding" activation and "enabling" reintegration measures. The French *Revenu minimum d'insertion* (RMI) is a case in point. The general trend is the shift from out-of-work benefits to in-work benefits, including job-search obligations, in many European countries with greater 'targeting' and 'selectivity' of resources for those most in need (Eichhorst et al, 2008). In Denmark, the so-called 'passive period' without the right and duty to activation was reduced sequentially from four years in 1990 to six months for under-30 jobseekers and nine months for adult jobseekers in 2007 (Kvist et al., 2008: 227). Similarly, successive Labour British governments have departed from the liberal path since 1997 by developing an 'enabling' welfare state that makes most of its provisions contingent upon paid employment (Clasen, 2005). The introduction of the New Deal in 1998 built on the requirement that the unemployed actively seek work in exchange for benefits. The New Deal envisioned a new labour market policy that would offer the unemployed efficient job centres, more personalized support services, and core skills training such as literacy, numeracy and self-presentation (Weishaupt, 2010).

On the European Continent, in countries like Belgium, France, and the Netherlands, activation programs based on individual guidance and training opportunities, primarily targeting 'outsiders' like the young, female or low-skill workers, have gained momentum over the past two decades. These reforms have also begun shifting privileges away from insiders (male breadwinners and their dependents) by opening insurance benefits to outsiders, introducing paid maternity leave, and improving social rights for part-time workers and minimum income protection. In 2004 and 2005, the influential Hartz reforms expanded the low-wage sector through new tax and contribution exemptions and reductions. While most measures were related to active labour market policies, the most controversial element included the merging of unemployment assistance and social assistance (Fleckenstein, 2008). These changes involved drastically shortening benefits durations for all unemployed, hiking the early retirement age for elderly unemployed from 60 to 63, tightening requirements to accept suitable jobs, simplifying insurance regulations, and merging unemployment assistance with social assistance. The latter implies that only those unemployed who fulfil certain qualifying conditions are entitled indefinitely (Weishaupt, 2010). Between 2003 and 2006, the Netherlands took major steps to bolster activity rates, and, as in Germany, policymakers opted for both carrots and sticks. As of 2004, elderly unemployed are required to look for work and employers are no longer obliged to pay premiums for disabled employees aged over 55. In 2005, the government significantly reduced disability benefits for partially disabled individuals who do not work, but also expanded training opportunities and created wage subsidies for partially disabled workers and their employers. Also, tax benefits for pre-pension schemes were replaced by a life course scheme that stimulates employees to accrue 210 percent of their annual salary by saving a yearly maximum of 12 percent of their annual income. This enables employees to receive 70 percent of their annual salary while away on leave (parental, educational, sabbatical or early retirement) for three years.

Old age pensions are often seen as the most resilient artifacts of the post-war welfare state, 'least likely' to confront profound reform. A string of adjustments, however, have fundamentally altered retirement welfare over the past two decades (Ebbinghaus, 2011; Bonoli/Palier, 2008). A key shift has been the growth of (compulsory) occupational and private pensions and the development of multi-pillar systems, combining pay-as-you-go and fully funded methods, with relatively tight (actuarial) links between the pension benefits and contributions, with strong incentives to delay early exit from the labor market (Clark and Whiteside, 2003; Hauserman, 2010). Virtually all European countries have introduced fiscal incentives to take up supplementary private pension insurance. While Germany and the United Kingdom are about to raise the official retirement age, Finland is bent on improving occupational health, work ability and the well-being of aging workers so as to keep them in the workforce (Immergut et al., 2007). In Italy and Spain, pension reform has gone hand in hand with attempts to upgrade minimum retirement guarantees. In addition, measures to combine work and retirement, with tax allowances and partial pension benefits, have been introduced in Denmark and Finland. One of the most profound pension reforms was enacted by Sweden in the mid-1990s, introducing a small mandatory funded element and transferring an important part of the risk associated with aging onto (future) retirees, by way of indexing future benefits to the life expectancy and net wages, while at the same time ensuring a universally guaranteed pension for low-income pensioners (Palme, 2005).

Social services have significantly expanded, especially in the 2000s (Lewis, 2006; Mahon, 2002; Ungerson, 2004; Orloff, 2006). Spending on family services, childcare, education, health, and care for the elderly, as well as on training and employment services, has increased in almost all Western Europe states (Jenson, 2006; 2009; OECD, 2008). As future social provision and welfare depends on how the dilemmas associated with women's new career preferences are resolved, the reconciliation of family functions has become a key policy concern (Hakim, 2000; Orloff, 2006; Esping-Andersen 2009). Social service provision to the frail elderly is rapidly becoming a new modern social policy issue, as younger generations, increasingly adhering to dual earner family norm, are less able and inclined to provide informal care than previous homemaker/caregiver generations. For Denmark, the 1990s witnessed the expansion of services for children and the elderly, the expansion of parental leave opportunities, and the introduction of specific activation instruments for mothers returning to work (Dingeldey, 2005). Leave arrangements have been expanded, in terms of both time and scope of coverage, including the frail elderly. In the United Kingdom, a variety of legislation was initiated to promote the reconciliation of work and family life (more childcare places, paid maternity leave, a leave entitlement for fathers, and an of flexible working time (Clasen, 2005). Childcare expanded since the late 1990s in Germany and the Netherlands (Morgan 2009: 47). German and Dutch governments increased spending and pushed for more flexible childcare facility opening hours in order to enlarge the number of available and affordable childcare places, although this has not gone so far as to indicate a commitment to a ‘service state’ (Morgan 2009: 52). To help reconcile work and family life, childcare and parental leave arrangements were expanded, also for part-time workers. Germany offers two ‘daddy months’ for working fathers (Korthouwer, 2008; Morgan, 2009). Dutch life course schemes grant an additional payment worth 50 percent of the minimum wage during periods of parental leave are. Social service provision to the frail elderly is rapidly becoming a new modern social policy issue, as younger generations, increasingly adhering to dual earner family norm, are less able and inclined to provide informal care than previous homemaker/caregiver generations.

To *finance welfare provision,* policies have been sought to relieve public finances and to shift some of the responsibility for welfare provision to individual workers or the social partners, and to reduce charges of business and labor. Most countries have reviewed the incentives of their tax/benefit systems in order to make them more ‘employment-friendly’. This development has been motivated by competitiveness concerns, but also by the wish to neutralize the vicious spiral of ‘welfare without work’ generated by ‘contribution-heavy’ Continental social insurance systems (Palier, 2010).

A final overarching reform trend has been *administrative reform*, largely based on the ideas of New Public Management (NPM) and novel concepts of *purchaser-provider* models within public welfare services. NPM ideas have been especially instructive with respect to the restructuring of Public Employment Services (PES), since the 1990s (Weishaupt, 2010). The shift to services in welfare provision has been accompanied by individualization and customization of new public-private mixes in capacitating local social servicing. In short, the division of labor in welfare provision between family responsibilities, commercial market social services, and public provision is being redrafted throughout the EU (Le Grand, 2007; Pollitt and Bouckaert, 2004).

Although we live in a world of path-dependent solutions, the wide-ranging post-formative welfare reform momentum, with significant domestic variation, adds up to a broad, cumulative process of welfare state (self-)transformation across the member states of the European Union (Hemerijck, 2002). The inventory of social reforms from before the economic crisis reveals, contrary to Paul Pierson’s conjecture of change-resistant welfare states, that the majority of European welfare states have made adjustments in macroeconomic policy, industrial relations, taxation, social security, labor market policy, employment protection legislation, pensions, social services, welfare financing and social and employment policy administration. Even though public social spending has been consolidated, practically all advanced European welfare states have been recasting and reconfiguring the basic policy mixes upon which they were built after 1945. Especially since the mid-1990s, the welfare state has been in a constant state of flux.

3. Towards social investment?

As social policy repertoires have almost been constantly evolving, it is imperative to appreciate the dynamic of the recent reform momentum. I agree with Pierson that taking the long view is essential here. However, without proper contextualization, any list of intense social policy changes remains unsatisfactory. Are we not risking exchanging a social protection bias for the selection bias of hunting down each and every adjustment effort without correcting for important dimensions of institutional continuity? To invoke a notion of profound welfare state change suggests that after a certain interval of time welfare regimes substantively differ significantly from before. The emergence and diffusion of the so-called "social investment perspective" in the second half of the 1990s can be employed as a benchmark for gauging substantive social policy redirection over the past two decades.

The social investment turn, pioneered by leading experts and intellectuals like Gøsta Esping-Andersen (1999) and Anthony Giddens (1998), was advocated in terms of a determinate departure from the institutional and ideological foundations of both the postwar male breadwinner, social insurance, welfare state, and its 1980s neoliberal successor of labor market deregulation and welfare retrenchment. The philosophy underpinning the social investment perspective was given more substance by the publication of a book edited by Esping-Andersen et al. in 2002, *Why We Need a New Welfare State* (Esping-Andersen et al., 2002), commissioned by the Belgian presidency of the EU in 2001, endorsed the view that "the single greatest challenge we face today is how to rethink social policy so that, once again, labor markets and families are welfare optimizers and a good guarantee that tomorrow's adult workers will be as productive and resourceful as possible" (Esping-Andersen et al., 2002: 25). The key idea, in terms of policy, was to 'prepare' individuals, families and societies to adapt to various transformations, such as changing career patterns and working conditions, the development of new social risks, population ageing and climate change, instead of simply 'repairing' damage after passive social policies prove inadequate. Central to *Why We Need a New Welfare State* is the argument that the prevailing inertia in male breadwinner welfare provision fosters increasingly suboptimal life chances in labor market opportunities, income, educational attainment, and intra- and intergenerational fairness, for large shares of the population. Because the heaviest burden of new social risks falls on the younger cohorts, in terms of policy redirection, Esping-Andersen et al. explicitly advocate a reallocation of social expenditures towards family services, active labor market policy, early childhood education and vocational training, so as to ensure productivity improvement and high employment for both men and women in the knowledge based-economy. It is also important to add that Esping-Andersen et al. (2002) emphasized – *contra* the Third Way – that social investment is no substitute for social protection. Adequate minimum income protection is a critical precondition for an effective social investment strategy. In other words "social protection" and "social promotion" should be understood as the indispensible twin pillars of the new social investment welfare edifice. In terms of concrete policy advice, linchpin policies of the social investment edifice included a child centered investment strategy, human capital formation, employment activation, labor market flexibility with generous social security and adequate minimum support, gender mainstreaming, family servicing, reconciling work and family life, avoiding early retirement, encouraging more flexible patterns of retirement, while raising the statutory pension age.

Since many of these ideas of social investment were first ventured over a decade ago, it is worthwhile to take note of the more general direction of European social policy transformation: Have European welfare states recalibrated their social policy systems in accordance to the teachings of social investment perspective? Or has social investment been a political cover for stealthy retrenchment and deconstruction or a Machiavellian foil for reconsolidating old social contracts, pressed by the strong and long-established clientelistic networks around the welfare state? To what extent does the reform inventory listed in the previous section suggest that social investment priorities have been incorporated in social reform? I wish to highlight four overarching, long run changes which indeed lend plausible empirical support to the social investment turn.

From fighting unemployment to raising labor market participation

Different policy provisions have been brought into new institutional relationships with each other based through important redefinitions of salient social policy problems across time. In line with the general shift to supply side economics, the overarching social policy objective has shifted from fighting unemployment to proactively promoting labor market participation, in the 1990s. As income protection remained the key function of social insurance policy, it was increasingly complemented with employment activation and reintegration measures, evident in augmented conditionality for unemployment insurance and social assistance benefits and supported by active labor market policy measures. Employment protection legislation, a quintessential old social risk category, serving to protect labor market insiders, has been curtailed in many countries, especially with regard to restrictions on part-time and temporary work. The integration of vulnerable groups into the labor market, improved coverage of the social risks associated with family instability, policy support for accommodating the feminization of labor market, as a consequence, have generally received preferential treatment.

Towards capacitating social services

Loosely aligned with the shift towards activation, the development of capacitating social services of dual earner families marks a clear departure from the longstanding male breadwinner/female homemaker legacy, especially in continental Europe. Family support, gender roles and particularly child care have indeed moved to the centre of recent social reform (Lewis, 2006; Orloff, 2009). One of the fundamental reasons why the "active" welfare state today must provide enabling and capacitating social services is inherently related to the erosion of the effectiveness of the social insurance principle, upon which the post-war transfer-biased male breadwinner welfare state was based (Sabel et al., 2010). When the risk of industrial unemployment was largely cyclical, it made sense to administer collective social insurance funds for consumption smoothing during spells of demand deficient unemployment. When the risk of unemployment becomes structural, caused by radical shifts in labor demand and supply, however, unemployment insurance can no longer function as a reserve income buffer between similar jobs. For the effective mitigation of *new social risks*, such as skill depletion and tension between work and family responsibilities, the new welfare state must provide capacitating services tailored to particular social needs. Such services in fact better protect citizens against new labor market risks than unemployment benefits. What is important to underscore here, is that 21st century welfare provision addresses wider range of social risks with broader array of policy intervention, far beyond social insurance narrowly understood.

From "freedom from want" to "freedom to act"

We seem have entered a distinctively new phase of welfare state development, characterized by an incipient move towards active *service-oriented* welfare states, away from the traditional passive, *transfer-oriented* systems of the past. Today, the highest levels of employment are found in the Nordic countries, which have been able to hold on to more generous welfare systems in the affluent world. The recent reform momentum represents a *Gestalt switch*, from an orientation on social compensation to citizenship empowerment with state-provided or regulated in human capital investments and social service quality improvements throughout the life course.

The welfare state, it should not be forgotten, is a normative concept based on the image of a social contract, with claims on equity and fairness, which goes far beyond issues of economic redistribution and insurance, to include dimensions of gender roles, the work ethic, child rearing and intergenerational equity. In times of transformation, the articulation of competing value perspectives is essential to changing welfare states. The changes listed above have contributed to a slow redefinition in the very idea of social justice: a shift away from understanding fairness in terms of static income equality towards an understanding of solidarity and fairness as an obligation to give due support to the needs of each, individually, so as to enable all to flourish (Sabel et al., 2010). At the heart of the new welfare state *Gestalt* also lies a re-orientation in social citizenship, away from the compensating *freedom from want* logic towards the capacitating logic of *freedom to act*, under the proviso of accommodating work and family life through social servicing and a guaranteed *rich social minimum* serving citizens to pursue fuller and more satisfying lives. In order to connect social policy more fully with a more dynamic economy and society, citizens have to be endowed with capabilities through active policies that intervene early in the life cycle rather than later with more expensive passive and reactive policies.

Neither retrenchment nor frozen welfares

Most EU member states that have undertaken social reforms since the 1990s have not singularly followed the neoliberal and deregulation recipes of the 1980s. Rather, the focus has been on social pacts, activation, active ageing/avoidance of early retirement, part-time work, lifelong learning, parental leave, gender mainstreaming, and labor market "flexicurity". In the process, additions and innovations in some policy area have been accompanied by subtractions in others. The novelty of the recent epoch lies in the simultaneous application of both positive incentives of active and investment-oriented labor market policies and negative incentives of retrenched welfare benefits of shorter duration, increased targeting, and sanctioning.

The recent reform momentum amounts to neither 'neo-liberal' convergence nor change-resistant 'frozen' welfare states. In some cases welfare state change has been accompanied by deep social conflicts, while in other instances unpopular social reforms received broad consent from opposition parties, trade unions and employer organizations (Starke 2006; Palier 2010). Most recently, in the shadow of the looming fiscal crisis of the state and the euro, countries like Greece, Ireland, Portugal and Spain, but also France and Italy, have pushed through bold, austerity-oriented social reforms. These reforms, to be sure, draw attention to the mechanism of deep crises as rare opportunities for far-reaching social policy reconfiguration. In Spain, the government has approved to give employers more control over how they deploy workers, while making it cheaper to fire – and therefore easier to hire – permanent employees. In Greece the era of retiring as 50 on full pension has come to an end; people will need to work until 65, with 40 years' full contributions. Also France and Italy are taking steps to raise the retirement age from 60 to 62.

All these reforms have met with industrial conflict. In the post-crisis context these protests have hardly led to an insider-biased watering down of reform efforts. Many of the problems in Southern Europe, now critically exposed by the crisis, it is true, lie in their inefficient clientelist bureaucracies and organized interests. In the broader experience of European welfare state change, many of the reforms now being enacted in Greece, Spain, Portugal were implemented in the majority of other West European polities before the onslaught of the Great Recession, under the less dire economic conditions and in a far more incremental and negotiated fashion, in the 1990s and early 2000s.

4. The imperative of open institutionalism

The overall scope of social reform across the member states of the European Union of course is heterogeneous, disparate and uneven. On balance, however, I observe trajectories of welfare reform in many countries that are more proactive and reconstructive, rather than purely defensive and deconstructive. Alongside serious retrenchments, there have been deliberate attempts to rebuild social programs and institutions to accommodate policy repertoires to the new economic and social realities of the 21st century, roughly in line with social investment priorities, in many advanced European welfare states, in the fields of family services, gender equality, employment policy and labor market regulation, human capital formation.

Because of the emergence and proliferation of these novel welfare mixes, preceding the global financial crisis, we are in dire need of an alternative analytical perspective which allows for a better and nuanced understanding of these more positive, multidimensional and dynamic trajectories of social reform, in comparison to the biased “new” politics conjecture of change-resistant social insurance provision. As we observe more profound changes on the output side of the dependent variable of policy responses, we are confronted with a theoretical quest to find a more adequate theoretical perspective for explaining profound social policy reform. The theoretical challenge is two-fold. What we are looking for in the first place, is a theoretical perspective that is more dynamic, better able to gain leverage on social policy innovation and institutional transformation across time. Second, and most important, such a dynamic perspective should be able to conceptualize policy actors as more open and responsive to adaptive challenges. If policy makers, contrary to received wisdom, do engage in major social reforms, in spite of highly relevant political and institutional obstacles, to the extent of potentially undermining (re)election chances, what distinguishes them and the institutional setting within which they operate from the purported general case of welfare state inertia?

Institutional inertia is an ordinary part of the post-formative welfare state development. Welfare reform is difficult, but it happens. Paul Pierson’s path-breaking studies on the political incentives of blame avoidance and organized interest opposition continue to be extremely valuable contributions to our understanding of the modern social politics in affluent democracies. But when taken too far, Pierson’s conjectures become unnecessarily over-generalized and deterministic, and unlikely to offer much analytical purchase on complex processes of profound post-formative welfare state change. He is not alone. Over the past two decades, institutional analysis has become unnecessarily over-generalized and deterministic, with institutions increasingly understood as selfreinforcing equilibria delimiting the parameters of creative political choice (see Crouch, 2005; Streeck and Thelen, 2005).

The inputs of the *irresistible forces* welfare states are facing up, together with the outputs of welfare state as *immovable objects* are well defined in the “new” politics literature; their mutual interaction, however, is unduly neglected. Fiscal strain coming from demographic ageing, intensified market competition from low wage manufacturing around the globe, the removal of national economic boundaries through the European integration, and to services, are practically all understood in *regressive* terms, ready to undermine the redistributive scope of the welfare state. On the output side, the welfare status quo is preserved through self-serving blame avoiding politics, reform-opposing collective action and institutional inertia per se. There is hardly any feedback effect between outside pressures and policy responses through relevant policy actors.

It is my contention that the past two decades have not been merely ones of straightforward regressive institutional liberalization. *On the input side* of external challenges, both demographic ageing and greater gender equality should count as important welfare successes. Population ageing, to the extent that it reflects increased life expectancy in good health, through the introduction of old age pensions, is one of the great achievements of post-war welfare state innovation. More recently, gender equality, also pressed for by the EU, liberating women to choose a career and decide under which conditions they form families and raise children, also represents real social progress. Moreover, the effects of social and economic change are never uniform. Pressures of economic internationalization, labor market change and adverse demography, trigger different reform agendas, but they do not determine policy content, and the timing and scope of policy change. The term “permanent austerity”, suggesting long-term economic stagnation, moreover, is somewhat misleading. With an average growth rate of above 2.3% of GDP per year over the past three decades of alleged austerity, the EU15 economy has nearly doubled. This has been largely sufficient to sustain comprehensive welfare commitments.

On the output side of institutional responses, in the decade leading up to the crisis, the Nordic welfare states have achieved the highest rates of growth and employment participation, while preserving generous unemployment, disability benefits, old age pensions and expensive active labor market policy and expanding quality family servicing and long-term care. Other European countries, Germany, the Netherlands, the United Kingdom, Ireland, and Spain followed suit with important social reforms in labor markets, retirement policy, and family servicing, supporting women and lone parents’ employment, early childhood education and care, and specific forms of labor market regulation and social protection institutions that promote flexible security, suggest forms of welfare reconstruction, which – in conjunction – are difficult to locate on a straight line between the poles of radical retrenchment and reform resistance. Beyond the Scandinavian welfare states, whose social investment profile can be traced back to the 1930s (Morel et al., 2009), very few countries can be said to have implemented social investment policies in a comprehensive fashion, enough to stem the tide of income polarization, rising in-work poverty, precarious work and social and economic dualization (Cantillon, 2010).

What *is* important for the theoretical purpose of this paper is that many of the above reform examples suggest a more "open" relationship between adaptive challenges (independent variables) and policy responses (dependent variables), shaped – but not overdetermined – by concrete institutions. There is a fundamental need to understand in a dynamic fashion how "closed" or "open" welfare states as comprehensive policy portfolios can be to adaptive challenges. In the "new politics of the welfare state" literature there is, theoretically, hardly any attempt to study the shifting ways in which concrete policy provisions intersect with key changes in the wider policy environment of the welfare state. All we are presented with is *regressive pressures* favoring risky retrenchment meeting the *defensive political postures* of blame-avoiding politics and rent-seeking collective action. A political space for constructive and purposeful collective action, aiming at social problem solving before they fester and grow, is theoretically ruled out. However, mechanisms of institutional self-reinforcement are particularly ill equipped to explain the recent examples of more proactive social policy innovation since the middle of the final decade of the 20th century.

The theoretical conclusion I draw from the fairly consistent re-direction in welfare policy provision in recent decades is that the key insights of the "new" politics of the post-formative welfare state, have to be complemented with a more "possibilist" and purposeful view of political behavior. Relevant policy actors thus seem able to mobilize creative capacities as they try out novel approaches to new social policy problems, including the unintended consequences of existing policy programs under new social and economic conditions (Beland and Cox, 2011). There is an obvious need for a proper, open institutional theoretical perspective to understanding welfare state change and continuity, which takes seriously outside social and economic pressures as delineating, but not determining, the direction, scope, scale, dynamic, and content of social policy development, filtered, hence, through concrete institutions and their associated political support bases. As a constructive view of collective action, however, requires external inputs – power, mobilization, ideas, coordination, deliberation, concertation and conflict resolution, it is necessary to reflect on the whereabouts of these inputs and the institutional preconditions of their effectiveness. How to articulate a coherent theoretical account of policy makers seeking to adapt social programs to changed environmental conditions, while remaining faithful to the fundamental insight that "history matters" and existing institutions have a life of their own in politics? Fundamental here is information-feedback between dependent and independent variables, between profound social policy change and adaptive pressures.

What I observe in policymakers engaging in major reforms, despite obvious institutional obstacles and political costs, is a readiness to use information from past performance, new ideas and expertise, together with the diffusion of inspiring reform successes in various countries. I therefore believe that dynamics of policy learning should count as potential important explanatory factors. In other words, evolving cognitive understanding of policy elites, changing beliefs of politicians and changing normative orientations with respect to issues of social justice more broadly, should be taken seriously as important factors explaining changing welfare states. Historically embedded actors of politicians, administrators, and their expert advisors, draw lessons from relevant, often past, policy experience, that informs current decision-making. Ideally, the more sophisticated information feedback routines are, encouraging social learning and effective adaptation to environmental change, the less likely sudden breakdowns, followed by the need for punctuated institutional change, will be.

Of key theoretical importance to a more *open institutional approach* to post-formative welfare state development, to which I ascribe, is that it should allow for *reflexivity* in actor orientations. We have to bring back the ideational, both cognitive and normative, components of the policy press in our study of contemporary welfare state development (Hemerijck, 2008: 47). Recent changes in social policy can only be explained if cognitive and normative reorientation by policy actors in complex policy environment is taken seriously. It is imperative to rehabilitate the role of actors' reflexive disposition vis-à-vis concrete social policy problems, which theoretically have been sidelined to the profit of institutional self-reinforcement and rather crude material interest based political strategies shaped by the welfare status quo. There is however no need to depart from the basic theoretical tenets of institutional policy analysis.

Social reality is always mediated by actors' perceptions of environmental conditions, the institutions they inhabit, the worldview they adhere to, and the interests they defend (Berger and Luckman, 1966). Institutional policy analysis generally portrays political behavior as governed by standard routines, accepted ideas, and rules of conduct, specifying relative stable repertoires of collective action (Cyert and March, 1963). Institutions do not always favor continuity over change. Routines, ideas, and rules can be both resources of stability and vehicles for change. The question becomes when, how and why routines, ideas and rules are challenged and become subject to comprehensive change (Olsen, 2008). Political interest is triggered when environmental pressures alter the effectiveness and legitimacy of prevailing policy. When actors encounter indeterminate situations that confront them with conditions they experience as conflicting with institutional conventions and standing rules of procedure, when available standard operating procedures are perceived to be unsatisfactory to solve problems, this can, potentially, unleash a search process, aimed at transforming a problem situation into a determinate policy choice to restore or restructure institutional order (Whitford, 2002). As such, creativity, invention and imagination on the part of policy actors, hypothesizing and dramatizing problems, probing new combinations, seeking new instruments, sometimes even articulating new policy objectives, become key ingredients of the policy process. Reflexive actors in vexing problem situations, associated with high levels of uncertainty, are unlikely to continue to abide by standard conceptions of utilitarian rationality based on fixed preferences and stable material interests. In other words, the problem situation thus carries important explanatory weight, suggesting that increasing deficiencies in existing social policy repertoires, as a consequence of demographic ageing, intensified global economic competition, family and labor market transformations, are not being ignored.

To the extent that welfare state development requires the exercise of public authority and incurs distributive consequences, social policy change and continuity remains inherently political phenomena, shaped by institutions, policy legacies and power relations. Without the political articulation of these new conditions, social needs and risks, disenchantment with existing policy routines, policy change will not take place. Outside and internal pressures shape, but do not determine the kinds of reforms policy actors conceive, intellectually, and are willing to pursue, politically. Very likely, actors wishing to push through reform are willing to confront opponents by suggesting that their resistance is problematic for reasons of effectiveness and fairness. To be ultimately successful, however, change agents will have to build political consensus to gain support for proposed reforms (Stiller, 2010).

Welfare institutions fulfill certain functions, such as macroeconomic stabilization, labor market integration, social insurance, poverty alleviation and social service provision, but it is political contestation over these functions what (in part) drives policy change in times of fundamental social and economic restructuring. Moreover, policy actors not only reflect on policy problems and their resolution, they also reflect on the causal links between institutions and their power positions. We need a better understanding of how policy-relevant ideas get selected, modified, or ignored depending on constellations of power. Political parties and organized interests, to be sure, continue to matter, however their roles in social policy change have become more heterogeneous. Reflexivity plays a more critical role when parties are confronted with uncertainty and this is indeed the case when new types of social risks and new cleavages enter the political realm.

Parties and interest groups are miniature political systems in which internal coalitions compete over policy options. In his dissertation, Gerben Korthouwer studied the positions of Social and Christian-democratic parties with respect to “old risk” pension and “new risk” family policy reform in Austria, Germany and the Netherlands. He found that usually failure to assure participation in coalition governments, rather than electoral failure per se, have led to shifting positions with respect to welfare reform. Failure to participate in government triggered moments of reflection within both social democratic and Christian democratic parties, with the effect of changing social policy orientations, which, in turn, were put into practice after having secured government participation after subsequent elections (Korthouwer, 2010). A similar argument has been advanced on the proliferation of “new” social pacts in the 1990s in many European countries, as they reveal changing social partnership dispositions and compromises on issues like wages, pensions, labor market regulation and employment policy (Avdagic, 2011).

Reflexivity on social policy problems is probably a stronger attribute of institutional actors, such as expert committees or bureaucrats, than of political parties or organized interests who have their ideological and interest-based constituencies to cater after. For this reason, empirically, we have to expand our research to a broader range of policy actors, and especially penetrate the interface of expertise and politics, where expert commissions, central planning agencies, strategy units, and international peer review forums, such as the OECD and the European Union, act as important “idea brokers” and “bridge builders” to facilitate the deliberation and dissemination of policy relevant ideas (Lindblom, 1978). Especially relevant is to examine how certain policy recipes travel from intellectual “production” to ultimate policy “consumption”. Hence social learning processes must necessarily have an important place in our understanding of welfare state change.

Close to four decade ago, Hugh Heclo already drew our attention to the critical intellectual components of the policy process in the development of modern social policy in his classic study *Modern Social Politics in Britain and Sweden* (1974). In this book, he portrayed the evolution of the modern welfare state “from poor relief to universal coverage” as a political learning process by addressing the complex relationship between expert policy analysis and the exercise of power in the policy process. Paul Pierson has always been critical of examining social policy development in mature welfare states under conditions of “permanent austerity” from a policy learning perspective. Short time horizons, multiple goals, power asymmetries and unclear accountability, pressed by austerity, do not conjure an image of a ‘learning friendly environment’ (Pierson, 1994; 2004). I disagree. It is my contention that there now is overwhelming evidence that a fundamental re-thinking, re-examination and re-appraisal of the European welfare state far better captures the reform momentum of the past two decades than the ‘new politics’ of change-resistant welfare states (see also (Dobbin et al., 2007; Gilardi, 2010; Gilardi et al., 2009; Weyland, 2006; Sabel and Zeitlin, 2010).

5. Conclusion

Stein Ringen (1987 [2006 edition]: p. xlvi) reminds us that the “welfare state is reform on a grand scale. It is an attempt to change the circumstances individuals and families live (…). No less; no wonder it is controversial. *If the welfare state works, reform works*” (my emphasis).

A careful analysis of key economic and social changes, together with an understanding how changing social risks are voiced and mobilized, are indispensible for an empirically grounded, dispassionate and open, theoretical conceptualization of contemporary social policy change. Moreover, any attempt to analyze social policy change should follow a differentiated approach which takes count of the complex character of welfare states – their normative and ideological foundations, their distributive portent, the institutional structures of social programs, and the division of labor of welfare provision and administration between state, market, and families and civil society.

The European welfare reform momentum of the past two decades is best captured as a *search for a new welfare state*. This search process remains incomplete, resulting from the institutionally bounded and contingent adaptation to new social realities. Welfare state change is work in progress, leading to patchwork mixes of old and new policies and institutions, on the lookout perhaps for more coherence. This should not surprise us. The post-1945 modern welfare state was also not built from scratch. Key differences between European welfare states find their origins in the remnants and legacies of earlier episodes of social policy experimentation in the late 19^{th} and early 20^{th} centuries. Also the rise of neoliberal retrenchment was largely evolutionary. Neo-liberalism emerged gradually from the elections of Margaret Thatcher and Ronald Reagan three decades ago to achieve global influence with the fall of the Berlin Wall twenty years later. More important still is that neo-liberalism did not spell the death of Keynesianism either, as evidenced by the important role of unemployment insurance systems as automatic stabilizers for individual incomes and the European economies as whole, in the aftermath of the global financial crisis.

What remains in the final analysis is the hypothetical possibility that many items in the concrete policy portfolios that make up modern welfare states have been profoundly transformed, without touching constant spending, near universal social insurance coverage and high replacement rates. From this reading, social insurance consolidation at the macro level has been achieved through determinate reform efforts of raising levels of employment of, especially women and older workers through activation, active labor market policies and improved childcare, parental leave and family servicing, following the logic so elegantly portrayed in Giuseppe Tomasi di Lampedusa's novel *Il Gattopardo* (1958), when Tancredi Falconeri says "if you want things to stay as they are, everything will have to change!" However plausible Pierson's final portrayal of the new early 21^{st} century crisis of the welfare state, this surely is no longer a tale of institutional resilience, in its meaning of the ability to bounce back into shape. Crossing the evocative "Maginot Line" metaphor, rather, suggests the opposite, namely, a tale of institutional atrophy until the welfare status quo ultimately succumbs and breaks down under the weight of the aftershocks of global financial crisis.

I hold the view that modern welfare states, administered by democratic polities, are able to rebound as they rely on the recuperative resources of their past successes. Welfare states are complex adaptive systems, whose goals, aims, functions and institutions change over time, however slowly, incompletely, incoherently and imperfectly. They defy easy explanation. In the current context, changing welfare states necessarily follow trajectories of post-formative path-dependent transformation and innovation. For this reason, it is imperative to study the politics of changing welfare states, not as models, but, more dynamically, as open systems caught up in processes of evolutionary social and economic reconfiguration.

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