Social policy paradigms, welfare state reforms and the crisis

Author(s): BRUNO PALIER

Source: *Stato e mercato*, aprile 2013, No. 97 (1) (aprile 2013), pp. 37-66

Published by: Società editrice Il Mulino S.p.A.

Stable URL: https://www.jstor.org/stable/24651056

BRUNO PALIER

Social policy paradigms, welfare state reforms and the crisis

The present essay takes a broad look at the interplay between changes in social policy paradigms and welfare state reforms, framing what happened over the last decades and what it is happening in a long-run perspective.

The first part of the paper looks at the role of ideas and paradigmatic change in relation to the role assigned to the welfare state in capitalist economies.

The second part of the paper analyses common European trends.

The third focuses on the specificities in welfare state reforms set in place in the different «worlds» and regimes.

The last part is dedicated to how both the paradigms' debate and the real institutional changes are taking place at a time of deep economic crisis and subsequent austerity plans.

1. The welfare state and the capitalist economy: the successive Keynesian, supply-side and social investment social policy paradigms

As we have shown previously (Morel, Palier and Palme 2012), perspectives on the link between social policy and the economy have varied substantially over time, reflecting different dominating policy paradigms. While there is generally a wide consensus on describing the post-war period until the mid-1970s as that of Keynesianism (cfr. Hall 1989) and the period since the mid-1970s as that of neoliberalism (cfr. Jobert 1994), it is not yet clear whether the social investment perspective that has been put forward since the late 1990s can be considered as forming a new policy paradigm.

European social protection schemes developed considerably over the course of the 1945-1975 period known as the *trente glorieuses*. During that time, economic and social policies were geared toward attaining full employment. Due to the reconstruction work required in countries devastated by war and then a serious lack of manpower, this goal was achieved early in the period. Later, social policies became a crucial tool for maintaining full employment and supporting strong economic growth based on mass consumption.

Social protection mechanisms appeared as a way of supporting and boosting economic growth: they create jobs in the health care system and social protection agencies; they help maintain the consumption capacity of those who can no longer work due to illness, unemployment, old age or infirmity; and they guarantee a secure income and prevent over-saving, allowing citizens to devote an increased share of their incomes to spending. Economic growth during the *trente glorieuses* was in large part due to the positive interactions between the development of mass production systems in the consumer goods industry, mass consumption and the extension of social protection.

Social policies enabled economic growth, and this growth – due particularly to the strong productivity gains in the industrial sector – in turn freed up the necessary resources for an unprecedented development of the welfare state. The social transfers achieved through social policies provided a means of guaranteeing social rights for all European citizens and making well-being somewhat less dependent on the labor market. As Gøsta Esping-Andersen conceptualized it, social protection schemes effectively decommodify the citizenry: «Social rights... permit people to make their living standards independent of pure market forces. It is in this sense that social rights diminish citizens' status as "commodities"» (1990, p. 3).

The 1970s were characterized by an increase in social demands, partly due to the slow growth, which had also caused a decrease in tax revenues and social contributions. The deficits caused by this scissors trend of expenditure and revenue became a major problem for European governments. If social deficits were seen as problematic, it was also because macro-economic analyses progressively changed, due to failures of the macro-economic answer to the crisis. Within the

Keynesian policy paradigm, a temporary public deficit is an instrument for boosting consumption, which in turn should lead to economic recovery and a rise in tax revenues, allowing the deficit to be paid down. In several European countries, however, the Keynesian use of social policy at the end of the 1970s was a serious and traumatizing failure.

In France, two attempts at economic reflation that involved increasing welfare benefits, first in 1974-1975 and then in 1981-1982, failed to produce the expected results. Consumption was indeed stimulated, but the products purchased were partly imported, which did not lead to an upturn in domestic economic activity or produce higher tax revenues. As a result, public deficits grew inexorably, the trade balance showed a huge deficit, capital left the country, and exchange rates were unfavorable. The opening of the French economy had skewed the Keynesian equation. The Labor government in Great Britain was in a similar position: having implemented a reflation policy based on a hike in welfare benefits, it ended up having to borrow from the IMF in order to repay a public debt it could no longer service.

With the standard Keynesian recipes of the past producing unexpected results, a paradigmatic change in economic policy began in the late 1970s, continued in individual European countries throughout the 1980s (Hall 1986), and was set in stone in the early 1990s, when Europe adopted a number of distinctly non-Keynesian economic policies (Jobert 1994): the establishment of the European market, which guarantees free competition among European firms; the Maastricht Treaty; and the Stability and Growth Pact, designed to reduce public debt and deficit, curb inflation, and fix exchange rates. These monetarist, neoclassical supply-side policies were intended to promote business competitiveness and they were characterized by wage moderation, budgetary rigor and by general deregulation and flexibility. Social policies, however, continued to function according to the Keynesian logic of the past, and this disparity with the new global economic rationale plunged them into crisis.

In this new economic policy model, social protection expenditure and the state no longer had the same functions. Social protection schemes have had to be adapted to supply-side economic policies rather than demand-side ones. They no longer created employment directly. Instead, full employment was supposed to be an indirect outcome of the new economic policies: a slower rise in prices and wages, gains in competitiveness and productivity, an increase in business profit margins and added value, not redistributed through higher wages, were all supposed to produce new investments and job creation. In this scheme, public social expenditure were perceived more a cost than a factor of economic growth and political and social stability. New norms for social expenditure and action in Europe have been proposed by various economists working with the OECD (Armingeon and Beyerler 2004), the World Bank (Palier and Viossat 2001) and elsewhere. Whereas social spending was long considered favourable to economic growth, one of the main goals of these new norms has been to reduce public social expenditures and thus to allow reductions in taxes, employer social security contributions, and other social contributions in the hope that such reductions would spur economic growth.

There was a general shift from decommodification to recommodification of citizens – from a guaranteed substitute income that is independent of the market, to an incentive strategy that brings individuals into the job market. Social protection schemes were supposed to boost employment by reducing rather than increasing social spending – by creating more incentives for people to work, rather than supporting them with welfare benefits for remaining inactive. The new social spending activation policies made receipt of unemployment benefits contingent on participation in training activities and active job hunting, and they attempted to «make work pay» and to increase the employment rate among young people, seniors and women by creating tax credits for poor workers. Another strategy for curbing spending is to focus public intervention on those who need it most and steer away from universal social policies. Lastly, social protection programs had to foster growth and employment by helping to develop private, profit-making ventures such as pension funds, medical research, health care, and personal services.

As is analysed in Morel, Palier and Palme (2012), starting in the late 1990s, new ideas concerning the role and shape of social policy and its role in relation to the economy began to emerge in the intellectual and political debate (Jenson and Saint Martin 2003; Perkins, Nelms and Smyth 2004; Hemerijck 2012; Jenson 2012). While there is no unified theory and no single intellectual source behind these new ideas, and while different labels have been used (such as «social development», «the developmental welfare state», «the social investment State», «the enabling state», «inclusive liberalism», or the «social investment perspective»...), these different conceptions have in common the fact that they stress the productive potential of social policy and thus provide a new economic rationale for social policy provision.

Above all, the ideas put forward are based on an understanding that social policies need to respond to a radically changed economic and social order. The increasing polarization and poverty rates, including of in-work poverty and the growing problem and cost of social exclusion, gave rise to a critique of neoliberal social prescriptions. At the same time, the traditional post-war male-breadwinner welfare state came under increasing criticism, not least from social policy analysts who argued that the «old» welfare state was ill-equipped to deal with the transition to post-industrialism, the social and demographic transformations of families and society, and the resulting emergence of new social risks (Morel, Palier and Palme 2012). In this respect, the conservative welfare regimes of Continental Europe have been especially singled out, both for their failure in responding to changing social risks and needs, and for their seeming inability to create jobs (Palier 2010).

Traditional forms of «passive» social policy intervention of the post-war welfare state have moreover come to be presented as at odds with the needs of the new economy, often described as the «knowledge economy». It is argued that to succeed in this «knowledge economy» it is necessary to have a highly skilled and educated workforce, who can quickly adapt to the constantly changing needs of the economy, and who is also the motor of this change thanks to its creative and innovative potential. In this thinking, unemployment is linked to a lack of adequate skills to fill today's jobs, and this lack of adequate skills and education is also expected to undermine future economic growth and employment creation, unless the necessary investments are made to foster human capital development (OECD 1997; EU 2000; 2009).

These different criticisms have led to calls for a modernisation of welfare systems. Central to this modernisation is the idea that social policy should aim at «preparing» the population to prevent certain social and economic risks associated with changing employment conditions and family patterns, and to minimise the intergenerational transfer of poverty, rather than at «repairing» through passive income maintenance schemes after the risk has occurred.

As such, social expenditure should be rechanneled from passive to active social policies. In this sense, the social investment perspective shares with neoliberalism the notion that social spending should be directed towards activating people in order to allow individuals and families to maintain responsibility for their wellbeing via market incomes, rather than towards passive benefits (Jenson 2012). However, while the social investment perspective retains the focus on activation that neoliberalism instituted, there is a shift away from the idea that «any jobs» are good and that social benefits should be scaled back so as to «make work pay». Instead, the idea is that social policy should help to «make work pay» through positive economic incentives (by improving net income for those who work, first of all at the bottom end of the wage distribution), and that it should assist in promoting the creation of «quality jobs» (Morel, Palier and Palme 2012).

Therefore, where Keynesian and neoliberal macroeconomic policy share in common a purely quantitative understanding of work and labour (Keynesians aim at creating demand for jobs in general, while neoliberal economists aim at increasing the supply of labour in general), the social investment perspective focuses more attention on the processes through which labour is transformed (through upskilling and learning).

Social investment proponents have renewed with the Keynesian idea that it is possible to reconcile efficiency with equity, or growth with social inclusion. The policies put forward for achieving this goal differ from the Keynesian epoch in a number of ways, however, the focus being more on the life cycle and on the future, than on equality of outcomes in the present (Jenson 2012). Indeed, one of the main aims of the social investment approach is to minimise the *intergenerational* transfer of poverty, but also to promote the intergenerational transmission of knowledge (*ibidem*). While the policies put forward focus on promoting equal opportunity in the present (by facilitating access to education and training and to the labour market), this is expected to produce benefits in the future in terms of a reduction in the intergenerational transfer of poverty and inequalities, but also in terms of economic and employment growth. Indeed, not only are social policy and economic growth seen as mutually reinforcing, social policy is in fact seen as a *precondition* for economic growth (Morel, Palier and Palme 2012).

While there is certainly a shared new set of ideas that have spread across the international community (at the level of international organisations such as the OECD, UNICEF, EU, World Bank – cfr. Mahon 2008; Jenson 2010) and that have been circulated through an international epistemic community and integrated in the discourses and practices of most European governments, it is not yet entirely clear that there is a shared belief in the failure of neoliberalism as an economic paradigm to address the economic and social challenges of the early 21st century.

The severe economic crisis that broke out in 2008 may provide the necessary trigger for a more profound questioning of present macroeconomic policies, and thus open the way for a paradigmatic change in which the social investment perspective could serve as the new reference. In the meantime it is preferable to define social investment as an «emerging paradigm» (Morel, Palier and Palme 2012).

In order to highlight the main differences between the Keynesian and neoliberal paradigms and the social investment perspective, Table 1 summarizes the key characteristics of each approach according to four dimensions that have been identified in the literature as characterising policy paradigms: 1. The diagnosis of the problems; 2. The values and principles pursued; 3. The norms for public action and 4. The instruments used (cfr. Jobert and Muller 1987; Hall 1993; Mandin and Palier 2004).

If a paradigm shift might be at sight, the following sections try to assess how much of this shift has been put effectively into practice or whether it is still mainly at the ideational level.

2. Institutional change and common paths in social policies: from supply side policies to a social investment strategy?

A comparison of the reforms implemented in a number of European countries reveals common trends. In the decade from 1990 to 2000, social policies previously formulated in Keynesian terms had to adjust to a new economic framework

TAB. 1. *Paradigms, principles and policies summarised and compared*

	Keynesian paradigm	Neo-liberal paradigm	Social investment perspective
Diagnosis on unemployment	Unemployment and slow growth due to insufficient demand.	Unemployment and inflation due to constrained supply because of labour market rigidities (excessively high labour costs, too much labour regulation, social benefits acting as work disincentives).	Unemployment linked to lack of adequate skills to fill today's jobs and to create the jobs of tomorrow.
Social policy and the economy	Positive economic role of social policy: development of social insurances to prop up demand and stimulate growth.	Negative economic role of public social expenditure: the welfare state as a cost and as the cause of slow growth and inflation.	Positive economic role of new forms of social policy: social policies that invest in human capital to increase employability and employment levels; to support labour market fluidity (flex-security); to prepare for the «knowledge-based» economy. *Social policy as a pre-condition for economic growth and job creation.*
Key values and principles	– Social equality – Jobs for all (men) – Decommodification	– Individual responsibility – Any jobs – Activation	– Social inclusion – Quality jobs – Capabilities approach: Equality of opportunity; «Prepare rather than repair»
Key norms for public action	– Big State – Central economic planning – Welfare state development	– Lean State – Deregulation – Dismantling of the Welfare state	– Empowering State – Investment – Recasting of the Welfare state
Key instruments	– Policies to support demand – Development of social insurance schemes for income maintenance – Development of the public sector – Unemployment compensation	– Monetarist economic policies to fight inflation – Deregulation of the labour market – Privatisation of social and health services, development of capitalisation to finance pension schemes – Activation and workfare	– Human capital investment policies to increase competitiveness and job creation – Development of social services & policies to support the labour market: early childhood education and care; higher education and life-long training; active labour market policies; policies to support women's employment – Flex-security

Source: Morel, Palier and Palme (2012, pp. 12-13).

characterized by the domination of neo-classical, supply-side policies and conservative budget practices. Beginning in the late 1970s, new economic conditions altered the operation of social protection mechanisms and convinced many governments that they should reconsider their social policies.

The new goal of social policy became, in effect, to create a favourable environment for private sector activities. The decreases in employer social contributions, wage moderation, and the new methods of financing social protection (a general shift from social contribution to taxes) all favor business and facilitate profit-making. This is in keeping with the dominant economic paradigm that today's profits are tomorrow's investments and the day-after-tomorrow's jobs. Some social protection activities are being conceived as privatazable activities and positioned to contribute to the development of post-industrial economies. More and more, international organizations now encourage governments to develop private social protection activities – pension funds that are capable of attracting and developing investments, medical research and insurance that are conceived as high value-added industries, and social and health services to people.

The establishment of a single European market, which guarantees free competition among all European firms, and the criteria set out by the Maastricht Treaty and the Stability and Growth Pact (to ensure the stability of the Euro), which present a coherent economic policy (reduced public debt and deficit, controlled inflation and fixed exchange rates), were all signs that, in the area of macro-economic policy, Europe was collectively adopting a new paradigm very different from its Keynesian predecessor. The new paradigm involved supply-side policies (monetarist, neo-classical) promoting free competition (deregulation, labour flexibility) and was based on conservative budget practices (reduced debt and deficit, low interest rates, reduced levels of inflation). Although the neo-liberal shift in Europe had started in the late 1970s and had been implemented throughout the 1980s in various European countries' economic policies, social policy continued for a long time to operate according to the Keynesian logic of the past. Social policy was thus in crisis because of its incongruity with the new global economic logic.

There are three reasons for the persistence of this incongruity throughout the 1980s and 1990s. First, institutional constraints and the influence of the past made fundamental reform difficult. Second, many countries used traditional social policies as a buffer to mitigate the social effects (especially higher unemployment) of changes in economic policies associated with tight budget and industrial restructuring. Third, while economic policy was increasingly defined at the European level, particularly following the introduction of a single currency, social policies remained within the jurisdiction of national governments, thereby making it more difficult to collectively define social policies that were consistent with Europe's dominant economic policies.

Towards the end of the 1990s, faced with this growing incongruity between the trend in economic policy and the general orientation of social policy, a global challenge characterized reform of social policy, namely, the need to adjust social policy to make it compatible with the new economic standards. Social programs were supposed to be more employment friendly and to link benefits to incentives that made it preferable to work than to receive social security benefits for doing nothing. This trend toward the activation of social expenditures arose in every European country. Employment policies and social policies were increasingly based on wage restraint, limited increases in social expenditures, growth in non-standard jobs (low-skilled, poorly paid or part-time jobs), and the restructuring of benefits to make them employment friendly.

These measures involved fundamental reforms in social protection, inasmuch as they involved not only modifying existing parameters and instruments of social policy, but also changing the intent, overall logic and orientation of established social protection. It was not only a question of retrenchment, but also of creating a fundamentally new foundation for social protection. Regardless of whether these policies were totally new or simply reformed existing policies, they were based on a new approach to social protection whose function was no longer to protect individuals against risk, but to change their behaviour. This was frequently referred to as changing social protection expenditures *from a passive to an active form.* Less emphasis was placed on providing replacement income than on providing incentives (in a more or less coercive fashion) for a return to the labour market. It was a question of moving from a guarantee of replacement income outside of the market (decommodification) to a strategy of providing incentives designed to promote a return to employment and of bringing people back to the labour market (recommodification).

In Europe, many denounced this return to the market, since it often embraced neo-liberal workfare policies. Other views, however, advanced an alternative and more positive interpretation (from a social policy standpoint) of these trends, since they signalled a transition from compensating, passive and corrective action to prevention, placing less emphasis on the elderly (fewer expenditures on pensions) and more on investing in the future (see Hemerijck 2012 for such interpretation).

In reality, only a few countries have implemented a social investment approach. To our view (as expressed in Morel, Palier and Palme 2012), neither Southern European countries (Italy, Spain, Greece and Portugal) nor Eastern European countries have really entered the social investment era. Globally, the continental European countries remain traditional «compensatory welfare systems» with few attempts to shift towards social investment, even if some countries (France, Belgium, and increasingly Germany and the Netherlands) display some orientation towards social investment in the field of family policy. The countries that display the strongest social investment profile are the Nordic countries. We can also see changes towards a more «active» welfare state in the Netherlands as well as in the UK.

Thanks to the distinction she draws between compensatory and social investment-related expenditure, Nikolai (2012) helps us to broadly characterize the different welfare state configurations as they appear in the early 21st century. Contrary to the idea of a shift from passive to active social expenditure, the first main evidence is that while there has been an increase in public social expenditure as a percentage of GDP across countries, this increase has not translated into an increase in expenditure on social investment type policies (see also Hudson and Kühner 2009). On the contrary, old age expenditure has increased everywhere, while the typical social investment expenditure, education, has decreased in most countries. This decrease is partly explainable by the diminishing size of student cohorts due to demographic changes, but it does show that there has been no emphasis on increasing investments in

TAB. 2. *Four worlds of social expenditure*

		Social investment-related expenditure	
		–	+
Compensatory expenditure	+	Traditional compensatory welfare systems Southern Europe	Social investment with double liability: protection and promotion Nordic countries
	–	Hidden welfare state US	Investing in human capital and low protection UK

Source: Morel, Palier and Palme (2012, p. 358).

education, not least when one considers that the number of years in education has tended to increase. Only in the field of family policy has social expenditure increased. Beyond these common trends, Nikolai identifies four worlds of spending profiles that one can summarized in Table 2.

As underlined by this Table, the English-speaking and the Nordic countries are the only countries that can be said to have really developed more social investment types of policies but represent remarkably different examples of social investment in action. The Nordic version of the social investment approach spends much on investment-related social policies as well as on old-age and passive labour market policies, while the British case shows a re-orientation of public social expenditure away from compensatory social policies towards more social investment-oriented policy domains (education and family policy but not so much spending on active labour market policy).

These findings, only based on the analysis of expenditure data, are confirmed by more qualitative analysis of recent policy developments. De la Porte and Jacobsson (2012) show that what has been implemented in the EU Member States is «recommodification» more than social investment as far as employment policies are concerned. Conditionality in unemployment insurance has been increased in most Member States, replacement rates have been retrenched, and the duration of benefit periods shortened. Activation schemes are far from comprehensive, workfarist rather than individualized, and come in the form of counselling rather than comprehensive training. The quality of activation services does not live up to the social investment ideal that was supposed to be inherent in the European Employment Strategy (EES). The reform of education, activation and training institutions has in most Member States not been deep enough to be labelled social investment. Bonoli (2012) further underlines that there was more social investment content in labour market policies during the 1950s and 1960s than nowadays.

But we also see some successes for the social investment approach. The experience of the Nordic countries suggests that social investment policies can be used to successfully combine social and economic goals. These countries display high and broad-based education levels, which appear to translate into high levels of social capital and social cohesion, greater learning and innovation capacity at work (making these countries amongst the most competitive economies in the world), more flexibility on the labour market, good economic growth including the creation of more and better jobs. These countries also display higher female employment rates, lower poverty rates, including lower transmission of intergenerational poverty and have been dealing successfully with demographic issues, both in terms of providing care for the elderly and in maintaining fertility levels. These countries are also the most successful when it comes to implementing climate mitigation policies. The key to this success seems to be the fact that the Nordic countries have not pursued a simple re-orientation strategy with their welfare systems towards more activation, but have instead combined strong protection with heavy social investment, with the aim to promote social equality as well as gender equality (Morel, Palier and Palme 2012).

In sum, a number of issues need to be addressed. On the ideational level there is too much ambiguity and this will not be resolved until the quality of investment is given due attention. Without that, social investment cannot be properly differentiated from the neo-liberal paradigm. The overriding focus on activation without proper attention to quality and to adequate protection in most countries has opened the door for the critique that the social investment approach forgets about social inclusion and poverty alleviation, and – worse – that it has in fact reinforced poverty and social exclusion (Cantillon 2010).

3. Institutional change: the Three Worlds of welfare reforms in the last two decades in Europe

Despite common trends in ideas for welfare, as shown in the previous two sections, not all countries have adopted the same welfare state reforms, and it is difficult to claim that today's welfare systems are looking more similar than in previous decades: the European social models, despite all having been reformed and adjusted, are still diverse. Adapting a welfare system to the new economic realities as well as adopting new and common economic ideas still appears to be a path dependent process, and three distinct approaches to welfare state reform have been identified that reflect the historical and institutional challenges of different social protection regimes.

The economic environment in Europe – and indeed around the world – has changed over the last thirty years. These changes include socio-economic transformations: more open economies, increased cost competition among firms, particularly over salary costs, and fiscal competition among states; shifts in the international division of labour, pushing developed economies toward post-industrialism and an expanding service sector; more flexible ways of producing and organizing work, bringing with it non-standard work. There have been shifts in social trends as well: a challenge to the traditional male-breadwinner family (there are now a variety of family models, including an increase in lone-parent families); an influx of women onto the labour market; population ageing.

All these changes call for new social policies to allow society to adapt to the new lifestyles and to the transformations in social risks, while limiting or even reducing the fiscal burden and economic cost.

In front of these contextual changes, each welfare regime confronts its own challenges. Works edited by Scharpf and Schmidt (2000) demonstrate that each social protection system experienced different vulnerabilities to economic globalization and social transformation. The impact of the new (more open) economic environment on the labour market varies according the social protection regime. In the service sector, the vulnerability to globalization of the unskilled labour market depends on the kinds of jobs in question (private or public) and on the methods of funding social expenditures. A comparison of the situations in the various countries shows that English-speaking countries were probably less vulnerable, because their unskilled jobs are in the private sector, where social expenditures are low (and thus do not place a strain on labour costs). However, Nordic countries, where these jobs have long been in the public sector and financed by taxes, were also less vulnerable inasmuch as their collective choices (to pay high taxes) have protected these jobs (held primarily by women) from international competition. The countries that were the most vulnerable were those where employment (especially personal services) was either underdeveloped or concentrated in the private sector, and where social expenditures were funded through payroll taxes, which put a strain on labour costs. This was the situation in continental Europe.

In the area of social policy, too, one can differentiate what is at stake based on the institutional arrangements of the various social protection systems. In Great Britain, the basic challenge was two-fold: *i*) to reduce the costs of the welfare state (so as to reduce government deficits and taxation), and *ii*) to increase the system's efficiency (especially to shorten the queues in the National Health Service and to decrease work disincentives). These problems stem from an institutional characteristic of the British system: it is the government budget that deals with social expenditure problems (since they are funded by taxes and distributed by the various public services of the central government). The Nordic countries, with small national economies open to international economic competition, were particularly affected by changes in the international economic environment. In the late 1980s and early 1990s, they experienced marked increases in unemployment and interest rates which both put a huge pressure on their public welfare systems.

In social protection regimes of continental Europe (including Southern Europe), two main problems emerged: the presumed impact of payroll taxes on labour costs (which are supposed to place a strain on the competitiveness of firms and create a barrier to the hiring of new employees); and the exclusion of more and more people from social insurance due to stricter eligibility rules. These two types of problems stem from the institutional characteristics of continental social protection systems, that is the importance of funding through payroll taxes and social rights acquired through work.

If the challenges varied, then so the proposed solutions did too, each of which depended on the particular social protection system. One can identify three approaches to reform of the Welfare State. Each approach reflected the distinctive historical and institutional challenges of a particular social protection regime facing globalization (Esping-Andersen 1996). Paul Pierson (2001) also argues that one type of reform dominates each social protection regime: in liberal regimes reform has been based on recommodification; in social democratic regimes on cost containment; and in continental systems on recalibration, which adjusts social programs to the new risks and needs. This literature emphasized that the latter reforms where the most limited, despite the fact that changes were deemed the most necessary, but in recent years we have observed some important structural changes in the Bismarckian continental welfare systems (Palier 2010).

Liberalization in UK

In Great Britain, the policies implemented to meet the new challenges included: increasing the role of the market in social protection (health and pensions); developing policies that targeted the most disadvantaged and the most deserving individuals; reinforcing workfare measures, and promoting labour market flexibility. All of these policies simply reinforced the social protection system's residual and liberal characteristics.

During the late 1980s and the 1990s, there have been three trends in Great Britain's unemployment compensation: a decline in the level of benefits, an increase in selectivity and pressures to return recipients to the workforce. In general, commentators agree that it was the unemployed who lost the most in the social policy reforms carried out by Thatcher governments.

Numerous cash social security benefits became the focus of a policy of attrition. Between 1986 and 1995, the level of unemployment benefits declined relative to the average wage: thus, in 1995 the level of income support declined from 15.9 percent of the average gross wage to 13.5 percent (Bonoli and Palier 1998). Cuts in unemployment benefits were even deeper. These benefits underwent a similar process of attrition. In 1996, with the introduction of the «job seekers' allowance», the maximum claim period for unemployment benefits was reduced from one year to six months). Since social assistance payments and insurance benefits were being treated differently, income support played an increasingly important role in the social protection of the unemployed, increasing the selectivity of the British system of unemployment compensation. In 1997, only five percent of social expenditures for the unemployed came from the National Insurance Fund.

Policies in this sector also tried to encourage the unemployed to return to the labour force. They used two principal methods: «making work pay», and reinforcing availability for work. Thus, the level of taxation was lowered considerably for unemployed individuals who accepted poorly paid work, with government assistance making up the lowest wages (Thatcher government's Family Credits and the Blair government's Working Family Tax Credit). Several forms of income support benefits, such as child care vouchers, were created for workers' whose wages were very low. «Availability for work» was reinforced by limiting access to benefits for the unemployed. Thus, in 1996 the Unemployment Benefit was transformed into the Job Seeker's Allowance. Recipients of this benefit must prove that they are actively seeking employment. In addition, all recipients must sign a contract (the Job Seeker's Agreement) in which they set out their job search strategy. Payments of the benefit can be stopped if the unemployed persons repeatedly refuse to accept work they have been offered.

The Labour government supplemented these mechanisms by setting up a «welfare to work» program that sought to improve training for youth and the chronically unemployed. However, these measures to train the unemployed remained very modest compared with their Nordic counterparts.

Flexicurity in Nordic Countries

From the 1950s and for many decades, the Nordic countries had avoided large-scale unemployment thanks to an expansion in public services, active labour market policies (education, training, special employment programs), and consensual wage negotiations at the national level. The result was a large increase in employment for women, principally in the public sector, and a decline (though of a much lesser magnitude) in male participation (among older workers) during the 1970s and 1980s (Esping-Andersen 1990).

However, by the end of the 1980s these countries' rates of unemployment were increasing rapidly. There were numerous debates on disincentives to work when the Welfare State was very generous. When «bourgeois» (conservative) governments came to power (in 1982 in Denmark, in 1991 in Sweden, in 1992 in Finland and in 1998 in Norway), the Nordic countries went through periods of budget cuts designed, among other things, to adapt or reduce the generosity of their unemployment compensation systems. On the other hand, starting in the early 1990s they decided to «activate» various social expenditure measures.

These measures placed the accent on work in order to avoid dependence on social protection. Employment policies in Nordic countries take two forms: seeking advanced levels of skill for the greatest number of citizens, in order to keep the skills in line with salaries (the training effort); absorbing the excess supply of labour, especially through job creation in public services and the community sector (education, health, social services and environment). In the logic of the Nordic social model, there is a firm guarantee of income in case of loss of employment. The issue of moral hazard in such a generous insurance system (since staying on unemployment insurance may be an attractive option for certain individuals) is dealt with directly through monitoring the trajectory of every job seeker and by the suspension of compensation payments if they refuse suitable employment or training. Considering Nordic countries' expenditures on worker training, public employment services, subsidies for private sector jobs, and the creation of government jobs, they have long been the European champions when it comes to active policies.

Moreover, Nordic countries (and especially Sweden) came up with new policies designed to privatize, decentralize and debureaucratize certain services. These new policies were accompanied by policies to reduce social expenditures, such as restricting the eligibility criteria for benefits and lowering benefit and service levels. These countries tried to find the underpinnings of «working society» in their policies, especially their employment policies. So they placed new emphasis on the «activation» potential of social expenditures. By the end of the 1990s, the Nordic countries had returned to very low levels of unemployment and high employment rates, while generally observing conservative budget practices.

Partial liberalization and dualization in Continental Europe

In continental Europe, changes were firstly rare, came later than elsewhere, but eventually unfolded during the 2000s. For the most part these changes exemplify the logic of the continental systems. Throughout the 1990s, pension reform in France and Germany primarily involved changing methods for calculating pensions, rather than changing the logic of their respective systems. Similarly, measures taken in France and Germany to control health costs remained within the framework of the institutions providing health insurance. In 1995 Germany showed confidence in its approach to social protection by creating a new social insurance scheme for long-term care, with a design in keeping with other parts of the German social protection system.

In relation to the unemployment problem, the approach first chosen to deal with it was «labour shedding», which included encouraging women to stay at home, young people to delay their entry into the labour market (for example, by extending their studies), and ageing workers to take early retirement, disability leave or extended sick leave. Germany applied this approach extensively, using early retirement (funded through the system of unemployment insurance) and extended sick leave. France took a similar approach, used various forms of early retirement (the public system or the system funded through the unemployment insurance), and lowered the legal age for retirement to 60 years of age. This was also the approach chosen by the Netherlands, through a disability system that had accepted de facto the responsibility for many of the country's unemployed. These policies led to reductions in the workforce (which finances the growing social expenditures) and therefore less people paying for welfare; the diminished workforce led to increases in payroll taxes (which discourage job creation).

Starting in the early 1990s (and sometimes even sooner, like in the Netherlands), new employment policies, accompanied by important welfare reforms (especially in unemployment and old age insurance), have diverted the continental European models from their traditional routes. As shown amply in Emmenegger *et al.* (2012), corporatist conservative systems were able to overcome the «welfare without work» problem of the 1990s, and have been able, through specific policies, to create many non-standards jobs and new types of social beneficiaries.

As Eirchhorst and Marx put it: «we can speak of a common trend in Continental Europe to redefine labor market outsiders: while they were typically kept outside the labor market in the 1990s (as expressed in high shares of long-term unemployment and inactivity), they now increasingly participate in the labor market, but in inferior jobs that deviate from the rule of the standard employment relationship» (Eirchhorst and Marx 2012, p. 81). And the social partners and the political actors have actively done this. «Policy makers and – even more importantly – economic actors created different types of non-standard employment, thereby effectively circumventing or converting existing regulations, without dismantling the institutional core. These new divides between different types of jobs and workers also produced new inequalities in terms of remuneration, job stability and social security coverage» (*ibidem*, p. 76).

The common thread of the policies that have re-enforced and underwritten *dualization processes* is that they all have been inspired by the neoliberal agenda, but implemented in a partial way. The job strategy advocated by the OECD in the beginning of the 1990s[1] has been implemented not for all workers, but for the secondary labor market, while on the contrary job protection was increased for those working in the (shrinking) core sectors and benefitting from typical work contract (see Eirchhorst and Marx 2012; Palier and Thelen 2012). In the same vein, the call for retrenchment and privatization, so typical of the neoliberal social policy agenda, has only been partially implemented in corporatist conservative welfare systems. In Germany and France, mostly

[1] Obinger *et al.* remind us what the OECD job strategy was: «The 1994 OECD *Jobs Study*, for instance, was still largely concerned with lifting the overall level of employment by means of neo-liberal policy recipes. Most recommendations concerned the deregulation of the labor market by allowing more flexible working time arrangements, lower unemployment benefit levels, the deregulation of wage setting, the phasing-out of favorable early retirement rules and so on (OECD 1994)» (Obinger *et al.* 2012, p. 177).

those on the fringe of the labor market have been activated, while the insiders benefit from private compensation for the retrenchment of public social protection.

This interpretation slightly differs from Wolfgang Streeck's one of the recent development of German capitalism (Streeck 2009), that could be applied to many other countries. When he sees a general trend of liberalization that transformed the genuine nature of German capitalism, the view expressed in this paper sees a much more partial implementation of liberal employment and social policies, in a dualistic way, that aims at preserving the logic of economic and social systems relying on manufacturing/production industry even in an era of deindustrialization.

If they implemented many of the recipes promoted by international organization at the time inspired by neoliberalism, Continental European countries as well as Japan and Korea did not follow the spirit of these recommendations. They did it for a different purpose: not to liberalize the economy, but to protect their declining industry! If one wants to correctly characterize the past decades in Continental Europe and other coordinated economies like Japan or Korea, one should preferably speak of dualization rather than liberalization (Emmenenger *et al.* 2012).

As Palier and Thelen conclude on Germany and France, these two countries «have progressively built a new (less egalitarian but possibly quite robust) equilibrium in order to adapt their political economies to the rise of the service sector and a new, more competitive, international economic context... In each of the realms... analyzed – industrial relations, labor market policy, social protection – the changes... observe[d] have mostly been gradual and often undertaken in the name of stability, billed as necessary adjustments to preserve core economic activities and the existing institutions around them. What has disappeared though is the capacity of the model to be encompassing and to cover all citizens under one type of work contract and social protection... Labor market reforms have generally promoted developments in which the status and privileges of labor market insiders remain relatively well protected, with the flexibility necessary to stabilize the core being achieved at the expense of a growing number of workers in "atypical" or "non-standard" employment relationships. Welfare reforms are also characterized by a gradual dualization, with a sharper line being drawn between occupational insurance/contributory benefits for core workers and a world of assistance and in-work/non-contributory benefits for a growing number of labor market outsiders» (2012, pp. 218-219).

4. What about the crisis?

Since 2008, the world has entered a period of intense crisis, which has lead to economic recession and sharp increase in unemployment. Before the crisis, welfare systems seemed to have adapted to new circumstances, but often at the price of an increasing number of jobs of bad quality and the institutionalisation of a «second division» in society, living off assistance schemes and subsidized precarious jobs. Only some countries have started to positively modernise their welfare systems following a social investment strategy.

It is of course too early to decide what the long term impact of the 2008 financial crisis will be, but one can already try to draw some lessons from the various countries' reaction to the crisis. The OECD «employment outlook» published in 2010 gives a precise account of who the first victims of the crisis have been. Unemployment has risen to an average of 8,7% for OECD countries in early 2010, leading to numbers comparable to the unemployment crisis of the post oil shock of 1973.

The rise of unemployment has, however, been very uneven, being particularly high in the US, Spain or Ireland, and comparatively limited in Germany, the Netherlands or Japan. Moreover, «job losses have been disproportionately large for certain workforce groups and industries (e.g. employment losses have been far above average for construction, temporary and low skilled workers, and youth)» (OECD 2010, p. 17). Here we see that part of those who are typical outsiders have been particularly hit by the crisis, especially the young.

However, what has been unusual is that «employment has fallen significantly more for men than for women, probably due to the sectoral profile of the recession (*i.e.* especially large employment losses in mining, manufacturing, and construction)» (OECD 2010, p. 18). This indicates that the economic crisis following the financial crisis has pushed deindustrialization further. What is also new is that, in France and Germany especially, employment has continued to grow for older workers (in manufacturing industry). Moreover, the OECD reports underline that public Short Time Work schemes have played an important role in preserving jobs during the crisis in certain countries, these schemes allowing to save as many as 200.000 jobs in Germany by 2009, and 400.000 in Japan.

This is typical of a pro-insider policy, since Short Term Work allows to keep in employment (thanks to public subsidies) those who are qualified and productive enough in the threatened industrial sector. Meanwhile, those who have an atypical working contract are fired or not hired anymore. The German case is particularly exemplar of the increased dualization that the crisis has led to. As amply demonstrated (Emmeneger *et al.* 2012), Hartz IV made it worse for many unemployed. While doing so, it created surplus in the Unemployment insurance, which has been used during the crisis to finance *Kurzarbeit*. Money saved on the back of outsiders will be used to protect insiders from the crisis! As Wolfgang Streeck himself underlines: «In 2009 the Federal Labor Agency could draw on a cash hoard of savings from unemployment benefit made possible by Hartz IV, to fund an unprecedented expansion of short-time work» (Streeck 2010, p. 508).

Here obviously we see the «saving the industry» strategy in action. Apart from bailing out banks, in some countries like Germany, France or Japan, public expenditures have also gone to support manufacturing industry, through specific subsidies for purchasing new cars, or through short time work schemes. As underlined by the OECD report, «the positive impact of Short Term Work was limited to workers with permanent contracts, further increasing labor market segmentation between workers in regular jobs and workers in part-time jobs...» (OECD 2010, p. 19). So far, the crisis has thus strengthened the dualization processes, even though it has also accelerated deindustrialization and thus further undermined the classical base of Conservative corporatist typical insiders.

Concerning welfare systems, as shown in Palier (2010), the main reaction of governments in 2008 and 2009 has been to «let automatic stabilisers play» through unemployment insurance and job subsidies, all leading to enormous increases in public deficits and debts. Confronted with this, governments may in the near future feel forced to implement another wave of retrenchments and privatization of welfare, to further residualise public social insurances and to force people to rely ever more heavily on private insurance for their income maintenance. Governments will also be tempted to add stricter conditions to assistance schemes, to implement further activation programs and to support the multiplication of low paying, poorly protected low skilled jobs in the service sector.

Initial reactions to the economic downturn caused by the financial crisis of 2007 have used traditional instruments to support the economy: automatic stabilizers based on social benefits and stimulus plans. In 2008, most European countries announced such Keynesian measures. However in late 2009 and especially since the spring of 2010, all European countries have announced fiscal austerity plans to reduce their deficits and debt, thus abandoning the counter-cyclical measures.

Even if they do not all have been implemented at the same time nor are all the same size (generally austerity plans are even more important when the deficits are high), these plans share the same characteristics: reducing the number of public officials and/or wage freeze in public service, reduced social benefits and pension reform, privatization, and a few increases in indirect taxes. To balance the public accounts, plans only count marginally on increasing state revenue through tax increase. They do not plan to increase direct taxes (except for a few exceptional contributions and symbolic as the richest in France). They sometimes call indirect taxes (VAT in particular, but also taxes on certain products such as tobacco or alcohol). These plans focus mainly lower public spending and privatization (notably Greece, Spain, Ireland, Turkey, and the United States).

Public expenditures are expected to decrease due to lower salaries of civil servants (Romania, Baltics, Ireland, Spain, Greece, Portugal, Hungary) or freeze them (Italy, France) and fewer employees. These reductions are very strong in Britain, which has planned layoffs, and more gradual way, where the method of non-replacement of a portion of retirement was widespread (Greece, Portugal, Spain, Poland, Romania, France).

Social spending are also among the first to be affected by these austerity plans. Not only cuts are planned, but more structural reforms are also implemented (often the result of pressure by the European authorities, which joined the International Monetary Fund and the European Central Bank in the case of Greece): flexibilisation of the labor market, increasing the age of retirement, increased competition in the field of services, including health and social services.

In many countries, lower unemployment and welfare benefits for the long-term unemployed has been planned (Germany, Portugal, Romania, Denmark – before the change of government, Ireland, United Kingdom, Spain, Greece). This is to «make work more attractive» by lowering benefits. Several countries have also planned to restrict the possibilities for the unemployed to refuse a job offer (Spain, UK). Many measures have also been taken to increase the flexibility of the labor market, especially for workers in permanent contract (Spain, Portugal, Denmark).

Lower benefits is not just for the unemployed. Many countries have also announced the decline in public support for health spending. Some countries have lowered the level of pensions (Greece, but also Sweden, in 2010 and 2011). Some planned to freeze the level for the future (Spain, Portugal, Greece) or revaluation will be greatly reduced (United Kingdom). The austerity measures have also provided a more fundamental reform of pensions on behalf of the need to «reassure» the financial markets and rating agencies. It was planned to extend the retirement age beyond 65 years in Ireland, Spain, Czech Republic and Germany, or accelerate the timing of an increase already scheduled (United Kingdom). Spanish or Greek reforms have also planned to change the method of calculating pensions. Assistance from the IMF and Europe to Greece, Bulgaria or Romania has been conditioned to the implementation of a pension reform. In October 2011, pressure was made on Italy for the country to resume pension reform.

France follows these trends. After criticizing the «cancer of assistance» some ministers have proposed the establishment of working hours required for the RSA recipients without activity.

On behalf of the need to reassure the markets and to maintain the highest possible rating of France, the government has implemented a new pension reform in 2010, postponing the retirement age statutory retirement age of 62, but especially 65 to 67 the age at which an employee can leave without discount even if it has not done all the years required for a full pension. The number of years necessary to get a full pension has been increased to 41.5 years in the summer of 2011. France also decided in 2010 to lower reimbursements for certain routine health care. In summer and autumn 2011, as well as in Autumn 2012, new austerity measures were decided, including an increase in indirect and direct taxes and a partial reduction of certain tax loopholes.

All these measures are most important in the countries suffering the most form the debt crisis (mostly Bismarckian countries in Southern Europe). This will accelerate the liberalization and dualization trends.

What would be the condition for social investment to be adopted instead? What is at stake is the capacity to improve economic growth and the social situation of people, by investing in knowledge-based economic activities, and thus in human capital formation, child care, education and life-long learning, and – as long advocated by the feminist scholars who first directed attention to care work – by paying more attention to the situation of women (for a review, see Orloff 2009). These are the conditions for a positive adaptation of Europe to the new world of the 21st Century.

Will this crisis provide the opportunity for further changes in such a direction? Or will its consequences (and especially its fiscal consequences) on the contrary lead to the implementation of further reactionary dualising retrenchments? The explosion of public deficits and debts in 2009 may well augur ill for the future, if governments continue to rely on their existing instruments and strategies.

The first reactions to deep crises are not normally dramatically changes in the instruments and goals of the policies, but rather the continued use of the previous existing policy instruments and recipes.

One likely scenario for the years to come is thus an acceleration of some of the trends we have analysed, pushed by the new economic circumstances. Confronted with debt, governments may in the near future feel forced to implement further the starting third wave of retrenchments, to further residualise public social insurances and to force people to rely ever more heavily on private insurance for their income maintenance. Governments will also be tempted to add stricter conditions to assistance schemes, to implement further activation programs and to support the multiplication of low paying, poorly protected low skilled jobs in the service sector. This would not overcome but reinforce the most negative effects of the typical Bismarckian welfare reform trajectory, especially dualism and inequality, but also sluggish growth.

Adopting the social investment turn would require a very different path of reforms. If important changes are to come, however, it would probably be more incrementally than through a social policy revolution. Against the idea that paradigm change is inevitably a result of a rupture in the past equilibrium, one can show that they also (and more often) come through an accumulation of incremental but cumulatively transformative reforms (Palier 2010).

We can conclude by summing up what the main conditions for such structural changes in deeply institutionalised social protection systems appear to be: a shared sense of failure of past reforms; changes in the European context; layering of new social policies, at the margin of the existing system; meta-policy reforms to circumvent institutional and political obstacles to further moves; the availability of a new social policy paradigm; for modernising policies, a renewed political coalition involving new social risks bearers.

For the proposed «social investment» strategy to be fully implemented in Europe, especially where it has been less developed, the following conditions should be met: a shared sense that past reforms have increased dualisms, and do not provide tools for economic sustainable growth and social progress; an explicit endorsement of the social investment strategy for the post-Lisbon agenda; an expansion and stabilisation of the few new policies already implemented in some European countries, such as «continuous minimum income support», «active family investment strategy», focusing on childcare, parental leave, and further investments in employment policies that «strengthen long-term attachment to the labour market, promote lifelong human capital investment, and push later and flexible retirement». New policies towards migration, aimed at «integration through participation», should also be developed, as well as meta-policy reforms to circumvent institutional and political obstacles to further moves (renewed attempts to develop social pacts, transformation of fragmented social insurances into more inclusive systems, creation of new taxes to replace some social contributions and pay for new policies).

REFERENCES

Armingeon, K., Beyerler, M. (eds.) (2004), *The OECD and European Welfare States*, Cheltenham: Edward Elgar.

Bonoli, G. (2011), Active Labour Market Policy and Social Investment: A Changing Relationship, in Morel *et al.* (eds.), pp. 181-204.

Bonoli, G., Palier, B. (1998), Changing the Politics of Social Programmes. Innovative Change in British and French Welfare Reforms, in *Journal of European Social Policy*, vol. 8, n. 4, pp. 317-330.

Cantillon, B. (2011), The Paradox of the Social Investment State: Growth, Employment and Poverty in the Lisbon Era, in *Journal of European Social Policy*, vol. 21, n. 5, pp. 432-449.

de la Porte, C., Jacobsson, K. (2012), Social Investment or Re-commodification? Assessing the Employment Policies of the EU Member States, in Morel *et al.* (eds.), pp. 231-254.

Eirchhorst, W., Marx, P. (2012), Whatever Works: Dualisation and the Service Economy in Bismarckian Welfare States, in Emmenegger *et al.* (eds.), pp. 73-99.

Emmenegger, P., Haüsermann, S., Palier, B., Seeleib-Kaiser, M. (2012), *The Age of Dualization, The Changing Face of Inequality in Deindustrializing Societies*, New York: Oxford University Press.

Esping-Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press.

Esping-Andersen, G. (1996), *Welfare States in Transition, National Adaptations in Global Economies*, London: Sage.

Esping-Andersen, G. (1999), *Social Foundations of Post-industrial Economies*. Oxford: Oxford University Press.

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

European Commission (2009), *New Skills for New Jobs. Anticipating and Matching Labour Market and Skills Needs*, Luxembourg: Office for Official Publications of the European Communities.

Giddens, A. (1998), *The Third Way: The Renewal of Social Democracy*, Cambridge: Polity Press.

Hall, P. (1986), *Governing the Economy: The Politics of State Intervention in Britain and France*, New York: Oxford University Press.

Hall, P. (1993), Policy Paradigm, Social Learning and the State, in *Comparative Politics*, vol. 25, n. 3, pp. 275-296.

Hemerijck, A. (2012), *Changing Welfare States*, Oxford: Oxford University Press.

Hudson, J., Kühner, S. (2009), Towards Productive Welfare? A Comparative Analysis of 23 OECD Countries, in *Journal of European Social Policy*, vol. 19, pp. 34-46.

Jenson, J. (2012), Redesigning Citizenship Regimes after Neoliberalism. Moving Towards Social Investment, in Morel *et al.* (eds.), pp. 77-102.

Jenson, J., Saint Martin, D. (2003), New Routes to Social Cohesion? Citizenship and the Social Investment State, in *Canadian Journal of Sociology*, vol. 28, pp. 77-99.

Jobert, B. (1994), *Le tournant néo-libéral en Europe*, Paris: L'Harmattan.
Jobert, B., Muller, P. (1987), *L'État en action. Politique publiques et corporatismes*, Paris: PUF.
Mahon, R. (2008) Babies and Bosses: Gendering the OECD's Social Policy Discourse, in R. Mahon, S. McBride (eds.), *The OECD and Transnational Governance*, Vancouver: University of British Columbia Press, pp. 260-275.
Mandin, C., Palier, B. (2004), L'Europe et les politiques sociales: Vers une harmonisation cognitive des réponses nationales, in Y. Surel, C. Lequesne (eds.), *L'intégration européenne*, Paris: Presses de Sciences Po, pp. 255-285.
Morel, N., Palier, B., Palme, J. (eds.) (2012), *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, Bristol: Policy Press.
Nikolai, R. (2012), Towards Social Investment? Patterns of Public Policy in the OECD World, in Morel *et al.* (eds.), pp. 123-154.
Orloff, A. (2009), Gendering the Comparative Analysis of Welfare States: An Unfinished Agenda, in *Sociological Theory*, vol. 27, n. 3, pp. 317-343.
Palier, B. (ed.) (2010), *A Long Goodbye to Bismarck. The Politics of Welfare Reforms in Continental Europe*, Amsterdam: Amsterdam University Press.
Palier, P., Viossat, L.-C. (eds.) (2001), *Politiques sociales et mondialisation,* Paris: Futuribles.
Palier, B., Martin, C. (eds.) (2008), *Reforming the Bismarckian Welfare Systems*, Oxford: Blackwell.
Palier, B., Thelen, K. (2012), Dualization and Institutional Complementarities: Industrial Relations, Labor Market and Welfare State Changes in France and Germany, in Emmenegger *et al.* (eds.), pp. 201-225.
Perkins, D., Nelms, L., Smyth, P. (2004), Beyond Neo-liberalism: The Social Investment State?, in *Social Policy Working Paper*, n. 3, Centre for Public Policy University of Melbourne.
Pierson, P. (ed.) (2001), *The New Politics of the Welfare State*, Oxford: Oxford University Press.
Scharpf, F.W., Schmidt, V.A. (eds.) (2000), *Welfare and Work in the Open Economy*, Oxford: Oxford University Press.
Streeck, W. (2009), *Re-Forming Capitalism: Institutional Change in the German Political Economy*, Oxford: Oxford University Press.
Streeck, W. (2010), The Fiscal Crisis Continues: From Liberalization to Consolidation, in *Comparative European Politics*, vol. 8, n. 4, pp. 505-514.
Streeck, W., Thelen, K. (eds.) (2005), *Beyond Continuity. Institutional Change in Advanced Political Economies*, Oxford: Oxford University Press.

Social Policy Paradigms, Welfare State Reforms and the Crisis

Summary: The article focuses on the interplay between changes in welfare state paradigms (Keynesian, neo-liberal and social investment) and actual social policy reforms. It takes a broad look at the interplay between changes in social policy paradigms and welfare state reforms, framing what happened over the last decades and what it is happening in a long-run perspective. The first part of the paper looks at the role of ideas and paradigmatic change in relation to the role assigned to the welfare state in capitalist economies. The second part of the paper analyses common European trends. The third looks at specificities in welfare state reforms set in place in the different «worlds» and regimes. The last part is dedicated to how both the paradigms' debate and the real institutional changes are taking place at a time of deep economic crisis and subsequent austerity plans.

JEL Classification: I31 - General Welfare; I28 - Government Policy; I0 - Health, Education, and Welfare.