Over the last decade, the questions how much, in which direction, under which conditions, and with which kind of effects Western democracies’ welfare states have changed, have been high on the agenda of comparative welfare state researchers. This study has contributed to these debates by probing the politics of (not-) unpopular reform, whereby unpopular reform was defined as those policy changes that do not favour the median voter and not-unpopular reform as those policy changes that affect the median voter neither positively nor negatively. This study has drawn on several bodies of literature, particularly mainstream welfare state research, prospect theory, the regulation approach to political economy, and the literature on set-theoretical approaches. By bringing these literatures together – something that had not been done yet –, the research presented here offers a series of theoretical and methodological contributions to the literature. In this final chapter, I will summarize the study’s main findings, discuss its methodological and theoretical innovations, and explore its implications for the scholarship on the welfare state.

Summary of main findings

The notion that has driven this study is that the politics of welfare state reform is still understood inadequately. The exact degree and shape of welfare state reform remains an issue of scholarly debate – especially with respect to whether the occurring changes have amounted in or signalled a trend from welfare towards workfare and whether these changes have unfolded in a path dependent, regime specific fashion. Moreover, we still know relatively little about the political effects of welfare state reform. Furthermore, as argued in Chapter 1, most existing studies underestimate the degree of risk involved in unpopular reform by assuming (implicitly) that governments pursue such reform whenever the circumstances (such as the institutional configuration) allow it. In fact, the electoral risk involved in unpopular reform is (much) higher than the electoral risk involved in remaining at the status quo. Therefore, to understand better the politics of unpopular reform, we need a theory that is able to explain political actors’ attitude towards risk. This dissertation has shown that prospect theory – a psychological theory of choice under risk – offers such a theory. Drawing on insights from prospect theory, this research has argued and empirically demonstrated that governments’ stances towards risk – and hence their willingness to bite to bullet and accept the electoral risk involved in unpopular reform – is shaped by the context or domain in which they find themselves. Against the backdrop of insufficient knowledge about the extent and form of (not-) unpopular reform, its effects as well as the conditions under which it occurs, the following central research question has guided the previous chapters.

Under which conditions and to what extent do governments in advanced capitalist democracies pursue unpopular and not-unpopular welfare state reform?
Let me discuss this study’s main findings in relation to this central question. Beginning with the last part of this question, that is the extent of reform, this research’s first main finding is that the degree to which governments pursued (not-) unpopular welfare state reform over the past two decades or so is quite substantial. As regards unpopular reform, many governments implemented policies entailing an electoral risk. With respect to not-unpopular reform, many governments increased activation (the indicator used to tap this type of reform). Interestingly, the degree to which governments did not pursue unpopular as well as not-unpopular reform is also quite substantial. Additionally, the data on activation, generosity, conditionality, and employment protection presented in Chapters 2 and 3 showed that the cross-national and – especially – cross-regime variation in both types of reform have also been substantial. The changes that occurred, however, did not transform radically the character of welfare states. That is to say, the reforms did not amount in many countries changing membership of one ideal type to another (e.g. from conservative welfare to lean workfare). Instead, most changes were regime specific ones (e.g. from .8 to .6 membership of liberal welfare). Consequently, and contrary to the hypothesis presented in the regulation literature, almost none of countries under study changed from a welfare state into a workfare regime.

With respect to the conditions under which governments pursued (not-) unpopular reform, this dissertation’s main finding is that the ‘basic cause’ of, or necessary condition for, unpopular reform is the presence of a losses domain among the government (see Chapters 5, 6 and 7). Only when governments found themselves confronted with losses, especially a deteriorating socio-economic situation, they were willing to face up to the electoral risk involved in unpopular reform in a desperate attempt to try and recoup (some of) the losses incurred. A worsening socio-economic situation was only sufficient for triggering reform when the political position was also deteriorating or when the government was of rightist composition. This result suggests that rightist governments did not pursue more or harsher reforms than leftist ones did, but that the threshold for engaging in unpopular reform is lower for rightist governments. Conversely, governments’ pursuit of not-unpopular reform was found not to depend on the presence of losses. Contrarily, governments proved to pursue activation only when they found themselves in a gains domain. They undertook activation only when their political position was solid, which needed to be combined with an improving socio-economic situation or a leftist cabinet composition. The conditions under which governments pursue unpopular and not-unpopular reform were thus ascertained to vary. A condition of loss was found necessary for governments to engage in the former, and a condition of gain was identified to be necessary for the latter. Hence, this study has demonstrated the asymmetric influence of gains and losses as central to prospect theory to be crucial for understanding the politics of welfare state reform.

Finally, as regards the political effects of (not-) unpopular reform, this study has shown that welfare state reform is politically risky for the key architects of the welfare state: Christian Democracy and, especially, Social Democracy. Chapter 8 has argued that these parties are in dire straits when they want to reform existing welfare state arrangements. The implementation of unpopular initiatives, such as curtailing unemployment benefits, was shown to be electorally dangerous. Unpopular reform has led both parties to lose electoral support, as it affected negatively the parties’ traditional supporters. Simultaneously, the likelihood that so-
called new social risk groups (such as the young and women entering the labour market) support Social Democracy or Christian Democracy was low, as these parties do not cater for these groups’ risks. Given that voters are more likely to punish parties for what they have done to them, than reward them for what they have done for them (Weaver 1986: 21, italics in original), the electoral gains involved in pursuing not-unpopular reform such as activation are low. These findings support further the argument that we need a theory that can explain political actors’ attitudes towards risk in order to understand better the politics of (not-) unpopular reform.

Methodological contributions

This study’s main methodological contribution is that it has revealed the value of set-theoretical approaches for analyzing welfare state reform comparatively. Set-theoretical approaches do not (yet) belong to the standard toolkit of comparative researchers – although the research community seems to accept these techniques increasingly, as a rising number of journal articles applying them suggests. Chapter 1 has argued that the usefulness of set-theoretical approaches is threefold. First, the approaches are particularly apt for dealing with equifinality, that is the situation in which there is more than one way in which a specific outcome can emerge, as well as with multiple and conjectural causation, that is when the same condition leads to a different outcome depending on the context or when an outcome results from the combination of two or more conditions. These situations occur frequently because of the complexity of social phenomena (such as welfare state reform). In-depth case studies can deal with this causal complexity, but have other disadvantages such as the difficulty of generalizing from the studies’ findings. Statistical techniques, conversely, cannot cope well with this complexity. Second, set-theoretical approaches allow for the inclusion of an intermediate number of cases (up to about 50), which makes it possible to investigate research questions that cannot be answered by means of a few cases only. Finally, the approaches in a way combine the best of qualitative techniques (e.g. in-depth case studies) and quantitative ones (e.g. statistical analysis) since they allow for both the replication of findings and for the examination of qualitative changes (in addition to quantitative ones). Conversely, the findings of (in-depth) case studies are often hard to replicate because of lacking or unclear operational definitions (see Chapter 6), whilst quantitative (large-n) studies’ results can be replicated, but often fail to capture adequately qualitative changes in the welfare state (see Chapter 3).

More specifically, Chapters 3 and 4 have demonstrated that fuzzy-set ideal type analysis is ideally suited for the simultaneous assessment of quantitative changes (i.e. differences in degree) and qualitative ones (i.e. differences in kind) in an intermediate number of countries. This technique’s findings also proved easily interpretable and better capable to capture intra-case variation than a traditional ‘variables-oriented’ technique: factor analysis. Chapters 6 and 7 have revealed the usefulness of fuzzy-set qualitative comparative analysis (fs/QCA) for examining the politics of welfare state reform. Specifically, fs/QCA proved able to identify the multiple paths and conjunctural causation that led governments to pursue unpopular and not-unpopular reform. Although an interaction term in a regression analysis in principle can uncover the presence of conjunctural causation (Clark et al. 2006; but see Mahoney & Goertz
2006), the interpretation of this term is often difficult. Moreover, multiple paths cannot be identified with conventional regression techniques. In contrast, qualitative research can identify both conjunctural causation and multiple paths. The disadvantage of this latter route is that examining about 25 cases, as done in Chapters 6 and 7, would be a practically impossible undertaking. Fs/QCA integrates the virtues of both the quantitative and qualitative approaches (see e.g. Bennett & Elman 2006).

A second methodological contribution of this study, one that also has theoretical implications, is the attention paid to concept development. The research has discussed extensively the concepts used, the indicators employed to tap these concepts, and the indicators’ measurement. By doing so, this study has tried to come to grips with these core methodological issues that seemed to have ebbed to the distance (Sartori 1984; Brady 2004: 62ff; Collier et al. 2004: 203-9). Elaborating on concepts and their measurement is particularly important in comparative welfare state research given the dependent variable problem, that is the problem how to theoretically conceptualize and empirically operationalize welfare state reform (see p.4). In order to allow other researchers to replicate the findings presented here, this study has displayed all material used.

Theoretical contributions

The main theoretical contribution of this study is that it offers a theoretical account that explains not only the how of unpopular reform (by describing the causal mechanisms with which political actors can overcome the political and institutional obstacles to reform), but also the why of unpopular reform (by offering an explanation for the puzzling fact that governments that seek to be re-elected pursue measures that may cost them votes). By presenting a model that can explain the how as well as the why of reform (in Chapter 5), this study is the first to present a complete causal account of risky welfare state reform.

Another theoretical contribution of this research is that it introduces governments as units of observation (in Chapters 6 and 7). Many of the theoretical claims or hypotheses in comparative welfare state research pertain – sometimes implicitly – to what governments do. Yet, the units of observation employed most often are either a country in a point in time (particularly in quantitative, statistical analyses) or a series of governments (especially in case study research). Notwithstanding the usefulness of such studies, they fail to account for the choices individual governments make as regards welfare reform. If there were nothing on offer, this would not be problematic. However, the variation in (not-) unpopular reform across countries and across governments indicates that governments have a choice to make. They can decide to accept the risk involved in unpopular reform, or refrain from doing so; similarly, they can decide to pursue not-unpopular reform, or abstain from it. These findings are not only puzzling when viewed through the lenses of existing theories of welfare state change, but also difficult to account for using traditional modes of analysis. My approach does account for these puzzling results by showing under which conditions governments display what type of behaviour.

Finally, this study contributes theoretically to the welfare state literature by examining changes other than those that are usually labelled retrenchment (in this research termed unpopular reform). In particular, this study has focused on the development of activation – a
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typical not-unpopular reform – and on the political logic underlying it. This research’s contribution lies especially in the latter, as we still know relatively little about the politics of activation (for exceptions, see e.g. Bonoli 2005; Rueda 2005; 2006). The findings presented here have indicated that the politics of not-unpopular reform and the politics of unpopular reform have similarities as well as differences. As regards the similarities, governments’ decisions to pursue both types of reform are influenced by the same variables. Specifically, the socio-economic situation, the government’s political position and the government’s political colour affect governments’ decisions as regards unpopular as well as not-unpopular reform. However, both types of reform vary with respect to the sign these variables have. Whilst it is a deteriorating socio-economic situation combined with a poor political position that drives unpopular reform, it is a solid political position combined with an improving socio-economic situation that pushes not-unpopular reform. Similarly, whilst rightist governments are more likely to pursue unpopular reform (when the socio-economic situation is poor), leftist governments are more likely to engage in not-unpopular reform (when their political position is strong).

Implications for the scholarship on the welfare state

These findings have several implications for the scholarship on the welfare state. Let me discuss three of these, which relate to 1) the wider debate on the shape of welfare state reform, 2) Pierson’s new politics argument, and 3) existing studies of welfare state change.

First, with respect to the wider debate on welfare state change, the findings presented in this study fail to support fully notions such as that the welfare state has been hollowed out, retrenched, or persists (see Chapter 2). Several developments that are in disagreement with the idea of a hollowed out or retrenched welfare state are the, on average, increase in activation in the countries of the conservative and liberal (but not social democratic) regimes; the fact that most countries either expand the duration of unemployment or sickness benefits or leave them unaltered; the absence of higher qualifying periods and waiting days for these benefit schemes in most countries; and the strengthening of employment protection in the countries of the liberal regime. These findings instead suggest that the welfare state persists or even expands. Other changes, however, do indicate welfare state retrenchment, especially the reduction in the replacement rates of unemployment insurance and sick pay in all countries under study. Moreover, the easing of employment protection in the countries of the conservative and social democratic regimes, and the lowered emphasis on activation in the latter, suggest that the policy changes enacted may be more than bounded change – as advocates of path dependency would have it. These results bear out the importance of the aforementioned dependent variable problem. Specifically, the findings show that it depends on the elements of the welfare state one focuses on (e.g. activation or generosity), what is the extent and shape of welfare state change found.

Second, the findings presented in this study advance Pierson’s (1994; 1996) new politics argument, that is the notion that the politics of welfare state retrenchment are fundamentally different from the politics of welfare state expansion. The chapters in Part II of this dissertation have shown that Pierson’s claim is incomplete – though not wrong –, as it fails to explain what induces political actors to engage in electorally dangerous reform in the first place.
(i.e. why they do it). Insights from prospect theory, especially individuals’ aversion to losses, help explain what triggers governments seeking to be re-elected to pursue unpopular initiatives. Additionally, insights from prospect theory provide additional footing to Pierson’s blame avoidance argument by specifying why, and when exactly, governments need to divert the blame associated with unpopular policies in order to lower the chances of being punished for having implemented the reforms. Given that, in the context of the welfare state, voters find themselves almost always in a domain of gains, voters are unwilling to accept the risk (of welfare losses) involved in reform and prefer to keep to the status quo instead. In order to implement reform and get away with it, governments thus need to either avoid the blame associated with the reform or reframe the voters’ domain from gains into losses. As Chapter 5 has elaborated, the latter can be done by means of one of two strategies. First, governments can use the ‘damned if you do, damned if you don’t’ strategy, that is manipulating the domain of the voters through for example major government information campaigns that suggest that the status quo is untenable and reform is unavoidable. Second, governments can employ the ‘creative accounting’ and ‘lies, damn lies, and statistics’ strategy, that is redefining the outcome measuring terms.

Third, by drawing on prospect theory, this study develops current theories of welfare state reform. Prospect theory offers a micro-foundation that is behaviourally correct, which is something most extant theories lack. Despite the fact that Pierson (1994) employed prospect theory’s central result to explain why it is politically difficult for political actors to implement unpopular policies, there has hardly been any cross-fertilization of psychological theories in political science. This is puzzling, as such theories can fill lacunae in existing approaches. For example, as explained in Section 6.6, prospect theory clarifies how socio-economic variables influence social policy reform – one of the socio-economic approach’s lacunae (Starke 2006: 107). Socio-economic pressures exert an indirect influence on reform as they (re) shape the governments’ domain and therewith increase their willingness to pursue unpopular measures. Furthermore, prospect theory has taught us that it is not so much the depth of the socio-economic problem that matters (e.g. high unemployment), but the intensification of it (e.g. increasing unemployment). Second, prospect theory offers theoretical footing to the question when ideas produce change. The hypothesis is that ideas that lead to the adoption of unpopular measures are implemented only if governments find themselves confronted with losses. Let me underscore again that insights from prospect theory cannot be used to predict the precise timing of reforms. However, prospect theory’s central finding does inform us about the why of reform as it reveals under which conditions political actors pursue unpopular measures.

Finally, the results presented here question the usual argument that the securer a government’s political position, especially the more secure its parliamentary majority, the higher the degree of unpopular reform. The problem with the typical argument is that it fails to differentiate between the two phases in the reform process: first, the government’s decision to pursue the reform and, second, the strategy used to implement the reform successfully. With respect to the second – or how – phase, a large parliamentary majority will be helpful because this makes it easier to share the blame as widely as possible (i.e. to use the strategy of ‘circling the wagons’, see Chapter 5). However, the relationship between a solid parliamentary majority and (unpopular) welfare state reform is negative. That is to say, due to
among others the status quo bias – that is the ‘(...) tendency to remain at the status because the disadvantages of leaving it loom larger than the advantages’ (Kahneman et al. 2000[1991]: 163) –, the stronger is the government’s political position, the more unlikely it is that it wants to pursue policies jeopardizing this position. This finding also sheds additional theoretical light on Clasen (2005: 40) conclusion that a secure majority and an ideological disposition towards retrenching the welfare state are not necessarily sufficient for unpopular reform.

To sum up, this study has demonstrated that to solve key theoretical questions in welfare state research and to overcome pending methodological issues, new theoretical angles and methodological approaches are needed and useful. Set-theoretical approaches, especially fuzzy-set ideal type analysis and fs/QCA, proved to be easily interpretable modes of analysis that offered new evidence about the extent and shape of welfare state reform and the conditions under which it occurred. To understand governments’ behaviour as regards (not-) unpopular welfare state reform, prospect theory’s key finding that the risk attitude of individuals varies across domains was established to be crucial. This finding has helped to account for the puzzling fact that governments wanting to return to the government benches engage in unpopular activities at all.