

Do Parties Still Matter in Protecting the Unemployed?

A Contextualized Comparison of Great Britain, Sweden and Germany

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Paper zur Jahrestagung der DVPW-Sektion Politische Ökonomie

“Der Wandel politischer Intervention” an der Otto-Friedrich-Universität Bamberg,

15./16. September 2011

Abstract

This paper argues that a more contextualized approach is necessary to shed a brighter light on the question of party convergence in social policy making. Such a contextualized comparison not only considers different political-institutional settings, it also accounts for country-specific differences in the structure and generosity of existing welfare programs. Thereby, it is possible to identify differing issues at the heart of the left-right conflict in the same policy area within different countries. Comparing changes in these nominally different but analytically equivalent issues under the influence of increasing external pressures promises insights not obtainable by customary ‘matched comparisons’. Empirically, the paper concentrates on party struggles over unemployment protection systems in Great Britain, Sweden and Germany.

1. Introduction

Long before financial crisis struck and demonstrated the constraining powers of the financial markets careful political observers argued – and criticized – “that the political choices open to governments these days have been so constricted by those forces of structural change often referred to as ‘globalization’ that the differences that used to distinguish government policies from opposition policies are in process of disappearing” (Strange 1995: 291). Others referred to factors apart from globalization, but reached the same conclusion. Since then countless quantitative studies have been carried out to test the truth of the argument of vanishing partisan differences. Concerning social policy most of these studies came to a clear result, showing that, while there existed significant differences in the ‘golden era’, parties do not matter any longer (see summary in Kittel/Obinger 2003: 27-28). Accordingly, socioeconomic and institutional factors shape the retrenchment process, while political parties are said to be rather irrelevant in this ‘new politics of the welfare state’ (Pierson 1996, 2001a).

But there are dissenters. Criticizing the theoretical argument as well as the empirical evidence some scholars challenge the decline-of-partisanship thesis and – by using different retrenchment indicators – demonstrate the persistence of partisan effects (Korpi/Palme 2003; Allan/Scruggs 2004). In addition, more recent studies show that partisan effects are dependent on further factors such as union strength (Kwon/Pontusson 2010). While these studies indicate that things are more complicated than mere analyses of social spending suggest, they still might not get the whole picture. As social policy reforms are not only a matter of retrenchment, but also of ‘recalibration’ and ‘restructuring’ (Pierson 2001b; Clasen 2005: 11-22), there is good reason to believe that a closer look at reform processes unveils subtler, more qualitative partisan effects, which are invisible in terms of social expenditure data. Here, single case studies and small-N comparisons, which focus on such qualitative differences in selected social policy programs, yield valuable insights (Rueschemeyer 2003).

Focusing on partisan effects in three countries this paper follows the small-N track, but unlike many similar studies the analysis is not constricted to the benefit side of welfare programs, i.e. the generosity of these programs. Rather, financing and administration of social programs – both naturally closely intertwined with benefits – are also considered. However, welfare generosity, modes of financing and administrative structures as well as the interaction of these factors differ among countries and policies. As a result, partisan conflicts should crystallize at different sticking points in different countries under mounting external pressures. The main aim of this paper is to identify and analyze these sticking points, in order to answer the question if there remain partisan effects in times of austerity. The empirical part of the paper

will focus on the politics of unemployment protection, as leftist and rightist parties are said to have differed significantly in this social policy domain in the golden age of the welfare state. The remainder of the paper is structured as follows. First, the decline-of-partisanship thesis is resolved into two parts, namely the argument that parties do not want to make a difference anymore and the argument that they cannot make a difference any longer. Both lines of argument are explicated and theoretically as well as empirically challenged. Next, a more contextualized approach to test the decline-of-partisanship thesis is presented. The section explains how welfare institutions (and political institutions) structure politics and, thus, demand a contextualized approach to analyze and compare the evolution of partisan effects in different countries. Subsequently, this approach is exemplified by a comparison of the impact of partisan differences on the evolution of unemployment protection systems in Great Britain, Sweden and Germany. It is shown how existing program structures shaped partisan reform initiatives in the golden age and in the era of austerity. Finally, the empirical results are summarized and discussed.

2. The Decline-of-Partisanship Thesis and Its Critics

The argument that parties do not matter anymore in economic and social policy-making can be based on two assumptions. The first, broader supposition is that political parties *do not want* to make a difference anymore, i.e. that there is for certain reasons a programmatic convergence between parties of different origin and history. An alternative assumption is that, even if parties still want to make a difference, they *cannot* do so because of economic and political constraints. Both lines of argument deserve a critical examination.

2.1 Do Parties Still Want to Make a Difference?

The classical rationale behind the existence of party differences is the linkage of political parties to ‘social constituencies’ with distinctive preferences. Accordingly, partisan differences arise as parties propose and supply the policies demanded by their electorate (e.g. Hibbs 1977; Schmidt 1996). Concerning socioeconomic issues, the stance of leftist parties as proponents of the working class and the bond between rightist parties and ‘bourgeois’ classes for a long time structured politics and led to clear-cut partisan differences.

With the parallel processes of deindustrialization, individualization, the shrinkage of the working class and the rise of post-materialist values under way, many scholars argue for the declining importance of class voting (Clark/Lipset 1991; Clark et al. 1993). The empirical evidence at least in parts confirms these claims. Class voting has declined in most advanced

democracies to a certain extent in the last decades, though the degree of this development differs highly among countries (Franklin et al. 1992; Evans 1999; Knutsen 2006). Nevertheless, the results are not as unambiguous as often stated. Despite an indisputable decline of class voting in the last decades, the differences in support for labor parties between the social strata in European countries are still “both substantial in size and highly statistically significant” (Elff 2007: 279-280). While parties may follow catch-all strategies to increase their share of votes, they still have to keep an eye on their social constituencies in order to be electorally successful.

In addition to such rather strategic considerations there is a second reason for the pertinence of programmatic partisan differences. As political parties are not pure vote-seekers but also policy-seekers, they will, up to some point, pursue distinctive policies regardless of electoral consequences.¹ Though empirical evidence is scarce, surveys among political elites (Putnam 1976: 82-83; Aberbach et al. 1981: 134-141) as well as German party members (Biehl 2005: 191-200; Spier 2011) confirm that members of leftist parties differ considerably from members of their right counterparts in holding different beliefs about the nature of the ‘good society’ and the importance and content of basic concepts like equality, liberty or social justice. Furthermore, from those differing core beliefs arise differing theories about economic and social policy and, eventually, differing conclusions about the necessity of state intervention, redistribution and social protection.

Empirical assessments of ideological and programmatic party positions support the thesis that political parties still want to make a difference. Expert surveys show the persistence of partisan differences on the left-right dimension of ‘taxes vs. spending’ for Western European countries (Laver/Hunt 1992; Benoit/Laver 2006). The analysis of national party manifestos reaches similar results. Though there is considerable variation over time within European countries concerning party positions on a general left-right dimension as well as a dimension about welfare state expansion/retrenchment, the major competing parties in most countries do not categorically converge on either of these dimensions (Budge et al. 2001; Klingemann et al. 2006). In other words, evidence holds that political parties still want to make a difference on socioeconomic issues. If they can still do so is a wholly different question.

¹ Strøm (1990) and Strøm/Müller (1999) develop a theory of party behavior that specifies organizational and institutional conditions which influence and shape vote-seeking, office-seeking and policy-seeking behavior.

2.2 Can Parties Still Make a Difference?

While proponents of the ‘new politics’ thesis like Pierson (1994, 1996) and others implicitly acknowledge the persistence of ideological partisan differences, they claim that parties cannot make a difference any longer under changed economic and institutional conditions. While parties were able to pursue distinctive policies in the ‘golden era’, the argument goes, they face opposing constraints in the era of retrenchment: On one side, parties of the left are faced with globalization, fiscal pressures and a welfare state that has grown to its limits, whereas on the other side rightist parties are constrained in their retrenchment efforts by infuriated voters and vested interests, who are themselves a product of matured welfare programs (Pierson 1998; Huber/Stephens 2001: 28-29).² Theoretically, this argument is rather inconsistent, as the mentioned constraints for each side may help the other side to justify their policies (Allan/Scruggs 2004: 501-502). Moreover, even if there was a shift of the ideological center of gravity to the right, e.g. because of the strength of fiscal pressures and/or the hegemony of neoliberal ideas, this does not mean that partisan effects would have to disappear. Leftist governments could, for instance, implement more moderate cuts to welfare programs than governments of the right.

Empirically, there is ample statistical evidence which supports the thesis of disappearing partisan effects concerning social expenditure (e.g. Wagschal 2000; Castles 2001; Huber/Stephens 2001; Swank 2001; Kittel/Obinger 2003; Amable et al. 2006; Potrafke 2009). Using benefit replacement rates of selected welfare programs as indicator, other studies arrive at a quite different conclusion and suggest the survival of partisan effects in the era of retrenchment (Korpi/Palme 2003; Allan/Scruggs 2004). Thus, the answer to the question if parties (and in a broader sense politics) still matter seems to be highly dependent on the chosen indicator.³ While studies based on generosity measures like net replacement rates avoid some of the problems attached to the use of expenditure data⁴, they are naturally limited to the analysis of the benefit side of welfare programs, i.e. to the analysis of certain forms of welfare state *retrenchment*. Apart from the problems of these studies to include all kinds of

² Stressing a ‘Nixon goes to China’-logic, Green-Pedersen (2001, 2002) sees leftist governments even more prone to implement radical cuts than rightist governments. This argument rests on the credibility of leftist parties to defend the welfare state and to implement only really necessary cuts. It suffers from an overestimation of the willingness of left-wing parties to implement cuts and an underestimation of the electoral backlash these parties face, if they nevertheless do so.

³ The results of quantitative studies can be summed up as follows: “However, studies which argue that politics matters focus on trends in welfare generosity, using mainly benefit replacement rates in selected welfare programmes. By contrast, investigations which claim that politics does not matter anymore focus on the development of social expenditure in relation to GDP” (Green-Pedersen 2007: 15).

⁴ While „there is a clearly positive and significant relationship between the level of social provisions and spending, [...] the relationship is far from perfect” (Kangas/Palme 2007: 115) as changes in need for social transfers severely influence the level of social expenditure.

changes in highly complex welfare programs, they are totally unable to capture changes in the institutional structure of welfare programs, e.g. changes in the funding or the administration of benefits, which can have important long-term effects on the programs and, thus, promise to be highly contested. The inclusion of such measures of *restructuring* as well as more subtle forms of retrenchment in the analysis of partisan effects requires a more qualitative approach (Kittel/Obinger 2003: 40). Such an approach is outlined in the next section.

3. Do Parties Still Matter? A Contextualized Approach

As mentioned above, welfare programs are highly complex institutions which in various aspects differ fundamentally between countries, e.g. in respect of benefit generosity, eligibility criteria, the financing of benefits and administrative structures. A classical research strategy to cope with these problems is to focus on similar countries and/or on specific program aspects, in most cases on criteria of welfare generosity or de-commodification (cf. Esping-Andersen 1990: 35-54). In this way it is possible to compare partisan conflicts on the basis of nominally identical issues and answer the question to what extent parties still matter in the selected countries. This usually adopted approach yields without doubt important insights about partisan effects in times of austerity. But, especially when comparing rather dissimilar cases, this approach of ‘matched comparison’ is confronted with some not negligible problems.

As Locke and Thelen (1995, 1998) point out, analyzing the same practices and issues in different institutional settings may be problematic due to differences in the pervasiveness and intensity of external pressures, in starting points and in the meaning and valence of certain issues to collective actors. As a consequence conflicts may crystallize at quite different ‘sticking points’ in different national and institutional contexts, which makes the analysis of nominally identical issues questionable. This problem may be solved by “a different research strategy [...] one which compares ‘apples with oranges’, that is, looks at different processes in different countries, in order to capture analytically equivalent issues” (Locke/Thelen 1998: 9). As processes of retrenchment and especially restructuring are highly dependent on the structures of the existing welfare programs, one can expect sticking points as well as partisan effects to differ considerably among countries. Thus, the described ‘contextualized’ approach seems appropriate to analyze and compare reform processes in different countries.

All this said, what institutional factors differ among countries and, thus, have to be considered? Besides the structuring effects of welfare programs, which are at the center of this paper, the impact of *political institutions* must not be neglected. First of all, parties and party

systems differ substantially between countries. While the number of parties varies as well as the size of left-wing, right-wing and more centrist parties, there are even considerable differences between parties of the same ‘party family’ (von Beyme 1982). Therefore, for example, one can expect to find recognizable differences not only between German Christian Democrats and British Conservatives but also between German Social Democrats and the British Labour Party. Furthermore, as acknowledged by many studies, formal policymaking structures shape politics and greatly influence the strength and visibility of partisan effects (e.g. Schmidt 1996, 2002). Thus, partisan effects on policy output and outcomes should be much stronger in ‘majoritarian democracies’, marked by one-party governments and no veto points for oppositional parties, than in ‘consensus democracies’, where multi-party governments are the norm and oppositional parties are often able to influence government policies via institutional veto points like strong second chambers (Kaiser 1997; Lijphart 1999). Finally, closely intertwined with the structure of the party system, the configuration of party competition, and here especially the existence or non-existence of credible defenders of the welfare state, may be another important factor constraining government parties (Kitschelt 2001).

While partisan differences are always to a certain extent country-specific and political institutions significantly influence the potential of government parties to implement their preferred policies, *welfare institutions* are also important in understanding the policy process:

“Political choices in the past produced certain institutional structures and characteristics which include some but exclude other actors, provide contexts for collective action and negotiations, bestow incentives, and influence actors’ perceptions of challenges and opportunities. In other words, policy processes can be expected to differ because of differences both across countries and across institutional characteristics of particular policy domains” (Clasen 2005: 31).

The main point here is that the institutional structures of welfare state programs decisively affect the preferences of political parties and their reform proposals, and thereby structure partisan conflicts within the reform process. As a consequence, even as ideological left-right differences may be similar in different countries, conflicts and potential partisan effects in particular policy domains are likely to differ substantially.

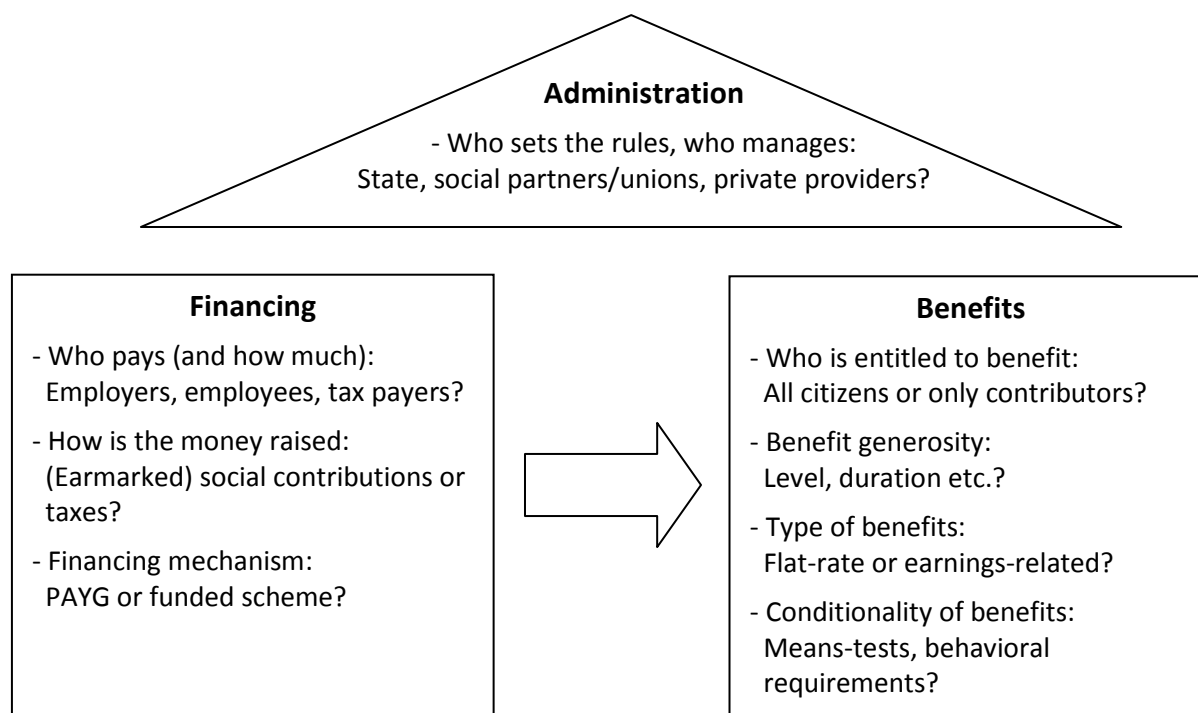
The stability of welfare institutions and, thus, their constraining effects on party preferences rest at least on three mechanisms, one of utilitarian nature, another which can be labeled ‘normative’, and a third which results from the “complexity and opacity of politics” (Pierson 2000: 259). The *utilitarian mechanism* operates by adaptive expectations on the part of the

electorate. As voters have adjusted their behavior to the existing welfare programs (and earned entitlements to benefits), reforms of these programs create insecurity and transformation costs, a circumstance that can neither be ignored by left-wing nor by right-wing parties (Pierson 1994: 42-45). The mechanism is amplified by vested interests of beneficiaries and welfare producers. A classical social policy example of this kind of feedback effect are the problems reformers face when they try change the pension system from a PAYG system to funded system. The second, *normative mechanism* is related to the fact that welfare institutions incorporate particular societal norms which are reproduced by those institutions (Rothstein 1998, Mau 2003, 2004). By reproducing norms like the principle of equality, the principle of solidarity or the principle of equivalence existing welfare programs more or less directly influence the perception of certain reform measures as ‘morally just’ or ‘unjust’. This second mechanism of preference formation affects voters as well as party members. A third stabilizing effect, that affects especially policy makers, arises from *conformity under conditions of uncertainty*. As the outcome of reforms is hard to foresee, uncertainty and the fear of unintended consequences lead to a bias toward incremental changes, even if political parties or particular policy makers may hold more radical reform ideas (Pierson 1994: 41-42, 2000: 259-260). Taken together, the described reproduction mechanisms will not lead governmental parties to shy away from reforming welfare programs in a favored direction. But even under rising external pressures these changes will usually be geared to the existing welfare program structures, which, thus, will decisively structure partisan conflicts and effects.

Though most studies concentrate on reforms of the benefit side of welfare programs, there are altogether three parameters by which welfare programs can be differentiated – and which can become the center of partisan conflicts (cf. Palier 2010: 23): 1) The expenditure side encloses rules concerning general eligibility criteria, benefit levels, benefit duration and regulations about the conditionality of social transfers. The classical assumption is that leftist parties prefer a greater benefit generosity than rightist parties. 2) On the revenue side, the question is who pays how much for the funding of social benefits. Complementary to the expenditure side, right-wing parties are usually expected to restrict revenue in order to disburden employers and tax payers. 3) Finally, there exist differences in the administrative structure of welfare programs, especially in the involvement of the social partners. Here, parties of the left can be expected to be responsive to the demands of unions involved in the organizational structure, while parties of the right should rather be interested in limiting union influence.

Figure 1 offers a schematic summary of the three principal parameters of welfare programs including potential points of conflict. Note, however, that the listed points give no complete account of possible sticking points. A closer look at specific programs might reveal subtler conflicts. Moreover, as administration, financing and benefits are more or less closely interrelated⁵, conflicts about program features are often not confined to one side. Rising demand for specific social benefits because of, for example, high unemployment or population aging may be answered by increases in revenue or by lowering benefit generosity. As especially the Swedish case study will show, administrative structures may interact notably with financing and benefits, too. Thus, to identify the main conflict lines between political parties, one must not lose sight of the bigger picture.

Figure 1: The three principal aspects of welfare programs and potential points of conflict



Before empirically demonstrating these theoretical considerations on the basis of three case studies, a few more words about the influence of external pressures of any kind seem appropriate. Whereas differently structured welfare programs can be expected to channel rising external pressures in different ways, the implications for partisan differences seem rather unclear. While it appears plausible to expect changes in the content of conflicts,

⁵ Korpi and Palme (1998) present five ideal types of social insurance institutions – targeted programs, voluntary state-subsidized programs, corporatist programs, basic security programs and encompassing programs – which are based on the bases of entitlement, the benefit level principle and employer-employee cooperation in program governance. In terms of this paper these ideal types, which are themselves the product of partisan and group conflicts, can be expected to foster distinctive kinds of partisan conflicts.

predictions about the intensity of conflicts and the narrowing or widening of partisan effects do not seem to be that easy. Contrary to the proponents of the ‘new politics’-thesis, one could argue that rising external pressures raise the intensity of distributional conflicts and, thus, increase partisan effects. Allowing for the contextual differences in the three countries under investigation, the following case studies will not only give a qualitative assessment of partisan conflicts and effects in times of austerity (and neoliberal hegemony⁶) but also compare these differences to the supposedly so strong partisan differences in the long gone golden era.

4. Partisan Struggles over Unemployment Protection in Three Countries

The study of partisan struggles over unemployment protection systems⁷ promises to be a good starting point for testing the persistence or decline of partisan effects in social policy. Compared to other social policy domains⁸ there should exist considerable differences between left-wing and right-wing parties, because the risk of getting unemployed differs clearly among their social constituencies (Cusack et al. 2006). This is supported by quantitative studies testing unemployment replacement rates for partisan effects (Korpi/Palme 2003; Allan/Scruggs 2004). The three chosen countries – Britain, Sweden and Germany – which like many other advanced democracies were confronted with steeply rising unemployment in the last decades (see Fig. 2), represent not only different welfare regimes, but also developed quite different unemployment protection systems in the first half of the twentieth century. Thus, the content of partisan conflicts should differ considerably.

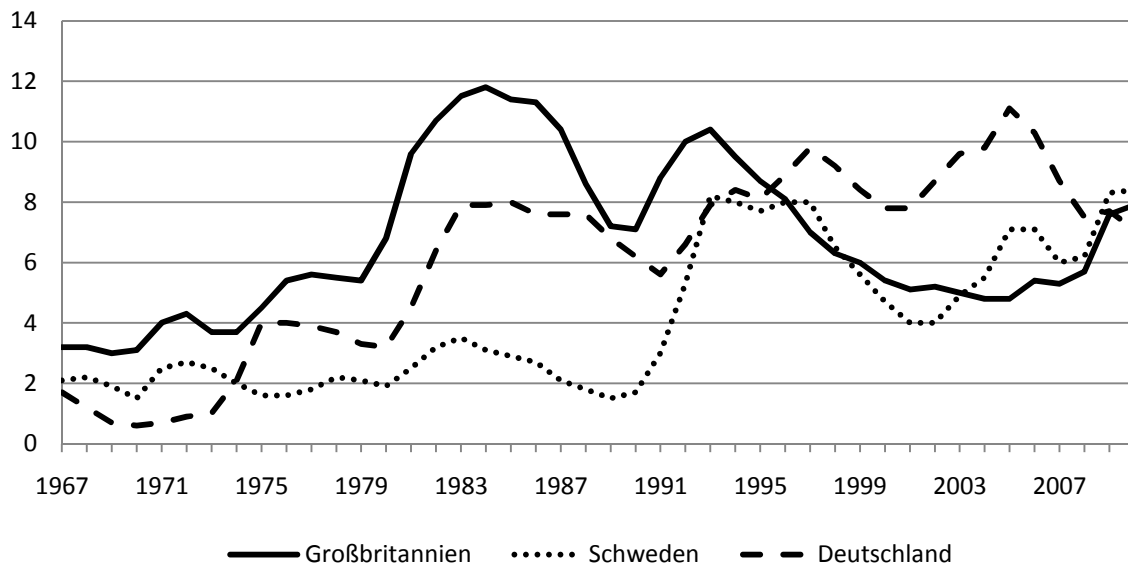
The case studies are structured as follows. After giving a short summary of the party landscape and the policymaking structures, the postwar institutional characteristics of unemployment insurance and unemployment assistance are highlighted, as well as partisan efforts to expand and alter these schemes in the golden era. Then, based on a summary of the institutional structures of unemployment protection at the end of the golden era, partisan conflicts over retrenchment and restructuring in times of austerity and neoliberal hegemony are traced. The focus will be on changes over time within the countries as well as inter-country differences.

⁶ This paper concentrates primarily on ‘material pressures’ on welfare programs. Nevertheless, ‘ideal pressures’ must not be neglected and are at least to some extent considered in the case studies. Although affecting advanced democracies to a different degree, the decline of Keynesian ideas and the rise of neoliberal ideas everywhere changed the ideational context in which political parties operate and, thus, deeply influenced policy debates (e.g. Hall 1993, Ross 2000; Blyth 2001; Hay 2004).

⁷ The term ‘unemployment protection system’ in this context encompasses funding, administration and benefits of unemployment insurance as well as unemployment assistance. Active labor market policies (ALMP) are only discussed as far as participation in ALMP measures is a condition for benefit eligibility.

⁸ The wider research project additionally covers old-age insurance, a policy domain in which partisan effects are traditionally expected to be smaller since the risk of aging affects all citizens in a similar way (e.g. Hinrichs 2000; Myles/Pierson 2001).

Figure 2: Annual unemployment rates, UK, Sweden and Germany, 1967-2010



Sources: OECD Historical Statistics (1986), OECD SOCX

5.1 Great Britain

Politics in Britain have for many decades been dominated by two opposing parties, the right-wing Conservative Party and the left-wing Labour Party. Due to the majoritarian nature of the British democracy either of them governed without being directly constrained by the other or a third party, at least until the formation of the coalition government in 2010. In other words, from a political-institutional perspective partisan effects should be clear-cut and easy to identify.

Turning to welfare institutions, the creation of National Insurance under the postwar Labour government of Clement Attlee marks the starting point of all later conflicts and reforms. The introduction of the encompassing social insurance scheme, which was for the most part based on the famous Beveridge Report and rather grudgingly accepted by the Conservatives (Harris 1986), meant the creation of an unemployment insurance scheme for all workers. Special characteristics of this state-led scheme were non-earmarked, flat-rate contributions and benefits. The unemployment benefits, though, were – contrary to the Beveridge’s original plan – temporally limited and set at such a low level that many unemployed needed additional support, which could be claimed through National Assistance, a means-tested benefit for the poor. Thus, the postwar unemployment protection system consisted of two pillars, insurance-based, quasi-universal unemployment benefits of low level and limited duration, and means-tested social assistance (Clasen 1994: 64-67).

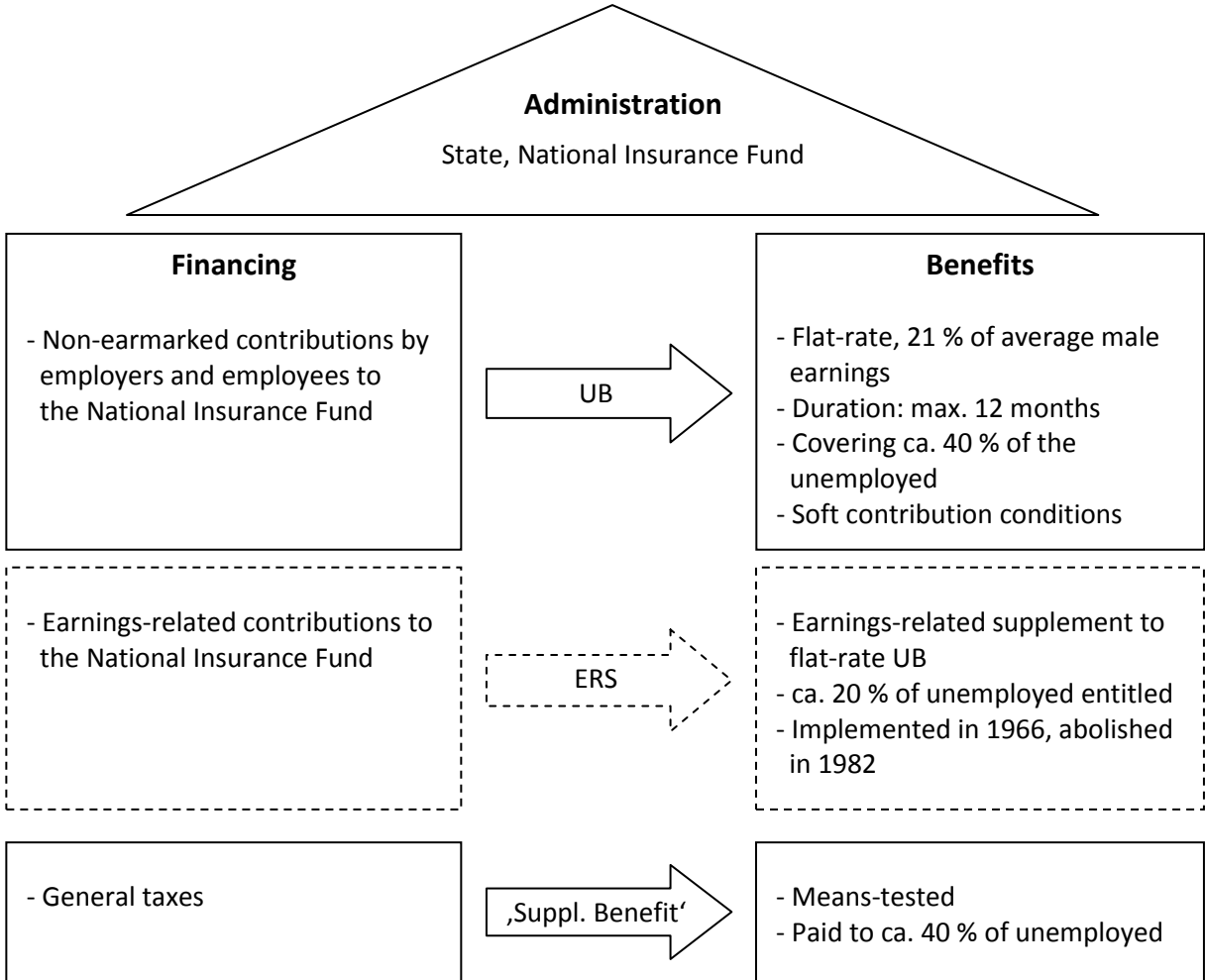
The described two-pillar structure of the unemployment scheme lay at the heart of partisan struggles in the following decades. While Labour wished to strengthen the insurance-pillar and to raise its generosity, the Tories preferred means-tested benefits targeted at the needy and, thus, were critical of universal benefits above the subsistence level (Glennerster 1995; Jones 1996). These clear ideological differences, however, were hardly reflected in the policies of Labour and Tory governments in the 1960s and 1970s due to opposing constraints both sides faced. Labour was constrained in its expansion efforts by economic crises and fiscal pressures, whereas the Conservatives did not dare to cut popular benefits (Lowe 1993: 65-85). All in all, the times of economic growth, comparatively low unemployment and Keynesian ideas favored the Labour Party which, in 1966, extended the duration of unemployment benefits to one year and introduced an additional pillar of earnings-related contributions and benefits to the system. The Earnings Related Supplement (ERS), though, was also supported by the Conservative opposition due to economic reasons.⁹ When the economic situation deteriorated in the 1970s, the Conservatives uncoupled unemployment benefits from other National Insurance benefits (and in this way made it easier to lower them), a policy first criticized but later continued by Labour. In sum, strong programmatic differences between the parties persisted throughout the (short) golden age in Britain without resulting in radically different policies concerning unemployment support.

At the beginning of the 1980s, on the eve of substantial welfare retrenchment, unemployment protection consisted of three pillars (see Fig. 3). At this time, one in two unemployed received some form of insurance-based unemployment benefit (Clasen 1994: 41). With long-term unemployment skyrocketing, the numbers of uninsured unemployed dependent on means-tested benefits rose in the following years, but this development was reinforced by the Conservatives, who, under Thatcher and later Major, started a lasting attack on unemployment insurance. While fueling the public debate about ‘undeserving’ benefit claimants and ‘scroungers’, the Conservative governments over the years implemented a series of reform measures, thereby retrenching and restructuring the whole protection system. In the 1980s, the ERS was completely abolished, flat-rate benefits taxed, contribution conditions tightened, statutory indexation abandoned and disqualification periods extended. All of these rather incremental reforms “add[ed] up to a substantial reduction in the amount of National Insurance benefit paid to the unemployed” (Atkinson/Micklewright 1989: 39). At the end of the 1980s, only 20 percent of the unemployed received the reduced insurance-based benefits.

⁹ Given the high demand for qualified workers, the ERS was, above all, directed at increasing the mobility of skilled workers by offering them higher benefits in case of redundancy. Labour, though, stressed also social-political reasons for the creation of a more generous system (Clasen 1994: 76-82).

Under the loud but vain protests of the weakened Labour opposition the unemployment system had incrementally been transformed into a mostly means-tested scheme by the Conservatives.

Figure 3: Unemployment protection in Great Britain, 1980



Sources: Clasen 1994, 2005; DWP 2010

Thatcher’s successor John Major continued this process with the creation of ‘Jobseeker’s Allowance’ (JSA) in 1996. The duration of the insurance-based JSA was reduced from twelve to six months. At the same time, the retrenchment process entered a new phase as the payment of benefits for all JSA-claimants was more closely tied to behavioral requirements or ‘conditions of conduct’ (Clasen/Clegg 2007). Thus, JSA-claimants had to sign a ‘Jobseeker’s Agreement’ and to fulfill defined ‘Jobseeker’s Directions’ like actively seeking work or attending Employment Service interviews. Aligned sanctions were clarified and, thus, sharpened (Bottomley et al. 1997). In addition, the Conservative government started to integrate working-age groups into the JSA system which previously stood outside the old

unemployment system and received different (and usually higher) benefits. For example, claimants of ‘Incapacity Benefit’, which replaced ‘Invalidity Benefit’ in 1995, now had to prove to be unfit to do any work and not just work they would be capable of performing, as required under the old rules (Hill 1999). In sum, after rebuilding the system into a mostly means-tested scheme, the Conservatives turned to the tightening of behavioral conditionality and, at the same time, increased the scope of the JSA scheme.

When still in opposition the modernized Labour Party had rather halfheartedly criticized the Conservative reforms, but after, finally, returning to power in 1997 the Blair government did not reverse these measures. Quite the contrary, adopting the ideas built into the reformed system, ‘New Labour’ stressed the reciprocity of ‘rights and responsibilities’ and, within the framework of the ‘New Deals’, tightened behavioral conditionality and sanctions. For example, Labour increased the supply of active labor market measures for young unemployed people, but made participation in these programs mandatory – non-compliance meaning the reduction or loss of benefits (Trickey/Walker 2001). Later on, sanctions were tightened further (DWP 2008: 40-41). As the Conservatives did before them, Labour also turned to benefit recipients outside the JSA system. With the ‘Welfare Reform Acts’ of 2007 and 2009 a new, harder ‘work capability assessment’ for claimants of ‘Incapacity Benefit’ was introduced, and lone parents with older children were forced into the JSA scheme. The explicit aim of these measures was to streamline the benefit system and to integrate all people of working-age, who were capable of work, in the JSA scheme (DWP 2008: 105). The Conservatives generally agreed to these reform measures but criticized Labour for not being tough enough on the ‘work-shy’. Accordingly, they favored harder sanctions, a clear workfare approach toward the long-term unemployed and a faster implementation of reforms (SJPG 2007; Conservative Party 2008).

In sum, partisan conflicts in Britain from the beginning centered on benefits and the benefit structure. Since contributions to the National Insurance Fund were not earmarked, they were, compared to the two countries observed below, detached from the debate about unemployment benefits. Both parties oriented themselves to the unemployment system created after World War II. Labour favored an expansion of the insurance-based pillar of the system, whereas the Tories preferred to concentrate on means-tested benefits. In the phase of expansion, direct parties effects remained rather low, though Labour created the ERS and the Conservatives decoupled unemployment benefits from other benefits. When economic crisis hit Britain at the end of the 1970s ideological differences rose considerably, and the Conservatives in the following two decades succeeded in transforming the system into a

means-tested scheme. After loud but futile protests in the 1980s, 'New Labour' finally accepted this institutional change. Subsequently, under the reign of neoliberal ideas, the debate shifted to the tightening of benefit conditionality and sanctions as well as the extension of the means-tested, highly conditional system to all working-age groups. Partisan differences on these issues almost completely disappeared.

5.2 Sweden

The Swedish parties can be divided into two blocs, though with some qualifications. The left bloc consists of the Social Democrats (SAP), until recently the dominant Swedish party, the Left Party and, since the late 1980s, the Green Party. The bourgeois bloc encompasses the Conservative Party ('The Moderates'), the Liberal Party, the Center Party and, since the early 1990s, the Christian Democrats. The SAP at all times dominated the left bloc, whereas the right bloc was more fragmented until the most market-liberal party, the Moderates, established itself as the leading party of the right in the early 1980s. The Center Party and the Liberal Party traditionally leaned more to the middle and, thus, were potential coalition partners for the SAP. After the 2002 election, though, the political blocs hardened, leading to a multi-partisan but polarized two-bloc system (Jochem 2010: 229-234). The political parties operate in a political system which formally resembles the majoritarian model with a strong concentration of power in the government. The Swedish system differs from this model in two respects. First, Swedish governments are often minority governments, which means that they are dependent on oppositional parties to implement reforms. And second, the Swedish system is strongly oriented toward compromise which is institutionally reflected in the important role of commissions of inquiry in the policymaking process, whereby traditionally all parties and interest groups are consulted (Heclø/Madsen 1987: 9-15). Thus, allowing for this 'consensus culture', there should be clear party effects, especially due to the clear-cut ideological differences between the two leading parties, the SAP and the Moderates.

The critical reforms concerning the formation of the Swedish unemployment protection system already happened before World War II. In 1934, the Social Democrats – with support of the Liberal Party but against the opposition of the Conservatives and the Farmers' League (which later became the Center Party) – accomplished state subsidization for the union-led unemployment insurance funds (Heclø 1974: 92-105).¹⁰ The reform demonstrated the close connection of Social Democrats and unions, which gained an important future power resource by the reformed system. This system of voluntary union-led but state-subsidized insurance

¹⁰ On average, the state bore circa one third of the costs. Unemployment insurance funds, which bore higher risks of unemployment, received more than that, schemes with lower risks got less.

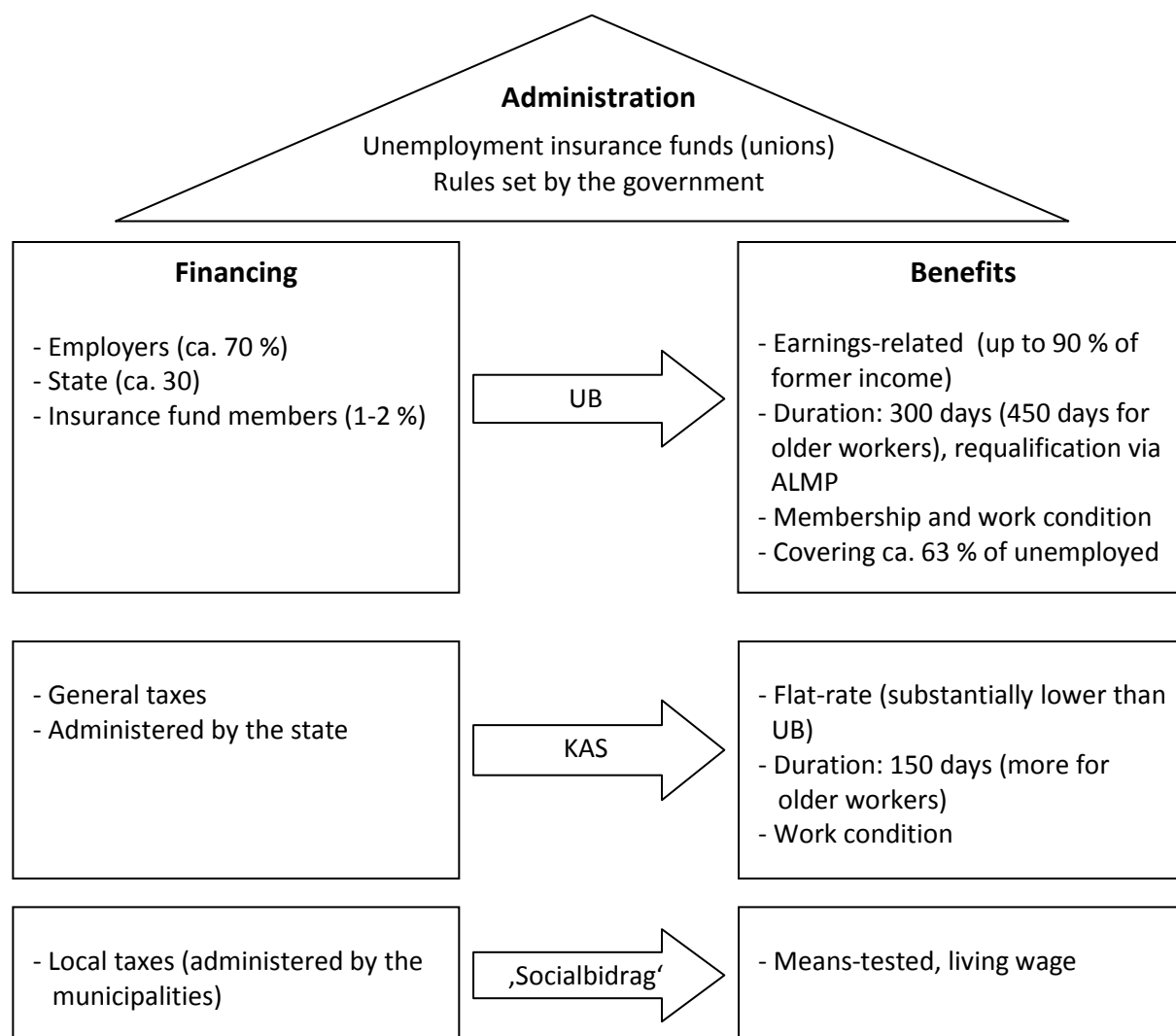
funds (*a-kassor*), the so called ‘Ghent system’, endured during the war years and, thus, marked the institutional starting point for reforms to follow.

In 1948, a commission of inquiry, which had been appointed during the war, criticized the great number of workers not covered by unemployment insurance and proposed the creation of a mandatory insurance. The governing SAP rejected the proposal and, instead, increased state subsidies to voluntary unemployment insurance, thus, raising incentives to join the voluntary system. In the following years, which saw steady growth and remarkably low unemployment, the Social Democrats – governing alone or in coalition with the Agrarian Party (the later Center Party) – increased benefits by further raising state subsidies. Nevertheless, mandatory unemployment insurance remained an issue. In the middle of the 1960s, with unemployment rising a little bit and still more than 50 percent of workers uninsured, the bourgeois parties started a new request for a state-led, obligatory insurance. As a consequence, a new commission of inquiry was launched by the SAP. The Social Democrats’ directive for the commission was clear – the old Ghent system should not be replaced but complemented. Accordingly, the commission proposed the introduction of an additional state-led insurance scheme for workers not covered by voluntary insurance. In 1974, KAS (*kontant arbetsmarknadsstöd*), a form of tax-financed, flat-rate unemployment assistance was created. Eligible for the relatively low benefit were all workers who were not member of a voluntary insurance and fulfilled certain working conditions. At the same time, the old union-led pillar of the system was strengthened. Benefits were raised, their maximal duration doubled, and all of this was financed by newly introduced employer contributions (Wilson 1979: 81-82). Especially the last measure was harshly criticized by the Conservatives.

The implementation of KAS, however, was seen as a step in the right direction by the bourgeois parties, namely in the direction toward obligatory unemployment insurance. When the rightist parties finally gained power from 1976 to 1982, though, further structural reforms failed due to the resistance of SAP and unions. Instead, unemployment benefits were raised further. Returning to power in 1982 and profiting from a reviving economy, the Social Democrats softened eligibility criteria, abolished waiting days, raised benefits and, furthermore, increased employer contributions (Anderson 1998: 267-268).

At the beginning of the 1990s, just before a hard recession hit the Swedish economy, the unemployment protection system rested on two insurance pillars plus social assistance (see Fig. 4).

Figure 4: Unemployment protection in Sweden, 1990



Sources: Boesby et al. 2002; Inspektionen för arbetslöshetsförsäkringen (Historiska uppgifter)

More than 80 percent of employees were a member of one of the more than 40 voluntary unemployment insurance funds which were administered by the unions.¹¹ As membership in a voluntary insurance fund was closely linked to membership in the associated union, the insurance scheme constituted an important power resource for the unions (Clasen/Viebrock 2008). Benefits were earnings-related with the unemployed receiving up to 90 percent of their last wage. The duration of benefits was formally limited to 300 days, but in combination with ALMP benefit payment could last indefinitely. This relatively high benefit generosity was coupled with very low contributions by the employees, as the system was predominantly financed by employers by means of a labor market fund. All unemployed who were not

¹¹ Since 1974 there also existed voluntary insurance funds for employers and the self-employed. Furthermore, it is to note that though the unions administered the insurance scheme, the rules concerning contributions and benefits were set by the government.

members of a voluntary insurance and fulfilled certain working conditions received low, flat-rate benefits via KAS, which was state-led and tax-financed. Finally, there was means-tested social assistance, which was administered and financed by the municipalities (Boesby 2002 et al.: 11-18).

In 1991, the newly elected bourgeois government under the Conservative Bildt was immediately confronted with a deep financial and economic crisis. Unemployment skyrocketed from under two percent to over eight percent in a few months (see Fig. 2), creating large deficits in the labor market fund which had to be compensated by taxpayer money. The government reacted by raising the membership fees of voluntary insurance funds and by cutting benefits. Furthermore, a commission of inquiry was appointed to make reform proposals for the creation of an obligatory unemployment insurance.¹² The commission proposed a mandatory insurance financed by employers and employees as well as a limitation of benefit duration and a tightening of eligibility criteria to curtail the rising costs of long-term unemployment. In summer 1994, after many delays and under fierce protests of SAP, Left Party and unions, the bourgeois government finally passed the legislation in the last days of its incumbency.

When back in power at the end of 1994, the Social Democrats, as promised, immediately reversed the reforms with support of the Left Party. The obligatory insurance together with employee contributions was abolished, as well as the limitation of benefit duration repealed. But given the still high unemployment figures, the SAP – after breaking with the Left Party – temporarily cut benefit levels and tightened conditionality with the support of the Center Party. Moreover, the labor market fund was eliminated and financing switched to general revenues in order to turn attention away from the huge fund deficits and to soften calls for further benefit cuts (Anderson 1998: 298-299). Nevertheless, the unions protested against the previously implemented cuts and after intensive negotiations another reform was enacted in 1997. The benefit level was raised back to 80 percent but in return the eligibility criteria were tightened. Furthermore, the SAP decided to restrict benefit duration but, because of protests of the unions, the corresponding rules were not implemented until 2001, when long-term unemployment had dropped and, thus, the opposition of unions had declined. A last reform measure favorable to the unions was the integration of KAS, renamed as ‘basic insurance’, into the union-led insurance scheme. In other words, when they left office in 2006, the Social Democrats had – with some minor changes – restored the old system.

¹² Contrary to the consensus orientation of Swedish politics, the SAP and the Left Party were excluded from the commission and the labor market parties were permitted as experts but not as negotiators (Anderson 1998: 278-279).

Back in office at the end of 2006, the bourgeois Alliance government without delay started a new attack on the Ghent system, but this time pursuing a different strategy (Kuhlmann 2008). While individuals were disburdened by the introduction of tax allowances, membership in a voluntary insurance fund was made more expensive by a massive rise in membership fees, which should now amount to 50 percent of benefits¹³. In contrast, employer contributions were reduced. The new rules meant that fees would be highest in insurance funds which had to shoulder the highest risks of unemployment.¹⁴ At the same time, benefits were cut substantially in various ways. Benefit levels were lowered, benefit duration was limited to one period and qualification criteria were tightened. Given the increased contributions and the reduced benefits, voluntary insurance became much more unattractive. As a result, insurance fund membership and union membership dropped massively (Kjellberg 2009). With unemployment rising as a consequence of the global financial crisis and many people uninsured, the conflict about unemployment support intensified further before the 2010 election. The Conservatives declared to defend the implemented changes and to create some kind of obligatory insurance¹⁵, whereas the Social Democrats promised to lower membership fees to get the people back into the insurance funds (Moderaterna 2010; SAP 2010).

In sum, the Swedish case shows a clear pattern over the whole period. Partisan differences centered on the union-led insurance scheme and its financing. For a long time the ‘natural party of government’, the SAP expanded the Ghent system by increasing benefit generosity and shifting the financial burden more and more to the employers. In the era of austerity the struggle over the structure of the insurance scheme intensified. The bourgeois bloc, led by the Conservatives, tried to implement obligatory unemployment insurance and to shift financing from employers to employees, whereas the SAP and its allies defended the union-led system and low membership fees. Moreover, the political parties also differed about benefit generosity. Though both political blocs cut benefits during the crises of the early 1990s, the Social Democrats later revoked some of these measures when the economy recovered. The bourgeois Alliance government, instead, subsequently cut benefits for mere ideological reasons.

¹³ Furthermore, union and insurance membership fees were no longer tax deductible. In 2008, membership fees were lowered somewhat, but two more waiting days were introduced.

¹⁴ While the Conservative-led government thereby hoped to force unions to show wage restraint and, thus, boost employment, the leftist parties and the unions criticized the new system for being unfair and destroying solidarity, as the workers most endangered by unemployment now had to pay the highest fees (Kjellberg 2011).

¹⁵ A commission of inquiry appointed in 2007 proposed a tax-financed obligatory insurance scheme, but this proposal was immediately rejected by the bourgeois government. In April 2010, a further commission was established which will not report before 2013.

5.3 Germany

In Germany partisan effects can be expected to be most diffuse, on the one hand because of the special party landscape, and on the other hand because of the particular policy-making structures. Since the 1950s the German party system has been dominated by two catch-all parties, the Social Democrats (SPD) and the center-right Christian Democrats (CDU). Unlike the Conservatives in Britain, however, the CDU is no classical market-liberal party, but is the leading architect of the status-oriented German welfare state. This suggests that programmatic partisan differences between the two main parties are not so much about more or less welfare expenditures, but more about welfare structures. The party landscape is completed by the market-liberal FDP, until the 1980s the pivotal party in a three-party system, the Greens and the Left Party (the former PDS), both parties gaining strength in the last twenty years. Partisan effects are further diminished by the political system which has been characterized as ‘grand coalition state’ (Schmidt 2008). Besides the Federal Constitutional Court, the strong second chamber, the *Bundesrat*, constitutes an important veto point for the federal states, if they are directly affected by reform proposals. Thus, if the government parties do not control the *Bundesrat*, the oppositional parties have the chance to modify or block certain reform efforts by the government.

The modern German unemployment protection system was shaped in 1956. Though the Allies after the war considered implementing a Beveridge-style system and the SPD initially favored a comprehensive and universal insurance model, the CDU-led government under Adenauer finally implemented a three-tier system which resembled the structures that had existed before the Nazis changed the whole welfare system (Münnich 2010). The first tier was unemployment insurance (*Arbeitslosengeld, ALG*). Unemployment insurance benefits were earnings-related and financed in equal parts by employers and employees. The second tier was unemployment assistance (*Arbeitslosenhilfe, ALH*). Financed through taxes, unemployment assistance was also insurance-based and earnings-related but at the same time means-tested. Both unemployment insurance and unemployment assistance were administered by the self-governing, tripartite Federal Office of Labor Exchange and Unemployment (*Bundesanstalt für Arbeit, BA*). Finally, for those who were not entitled to ALG or ALH there was means-tested social assistance (*Sozialhilfe*) which was financed and administered by the municipalities.

In the subsequent decades policy debates were deeply shaped by the financing structure of unemployment insurance. While the structure of unemployment insurance and the underlying equivalence principle were accepted by all main actors, conflicts centered on the use of BA surpluses respectively the adjustment to BA deficits. When there was a small rise in

unemployment in the mid 1960s, the typical line of conflict first emerged. Although the Grand Coalition government and the oppositional Liberals agreed to use the accumulated reserves of the *Bundesanstalt* to increase benefits, there was a debate about the level of the increase. While the SPD and the ‘social policy wing’ of the CDU demanded a steep rise in benefits, the more employer-friendly part of the CDU as well as the oppositional FDP favored a lower increase. Accordingly, parties definitely mattered here, as “not the rise itself but the level of the increase was attributable to the replacement of the FDP by the SPD as the new coalition partner with the CDU” (Clasen 1994: 97).

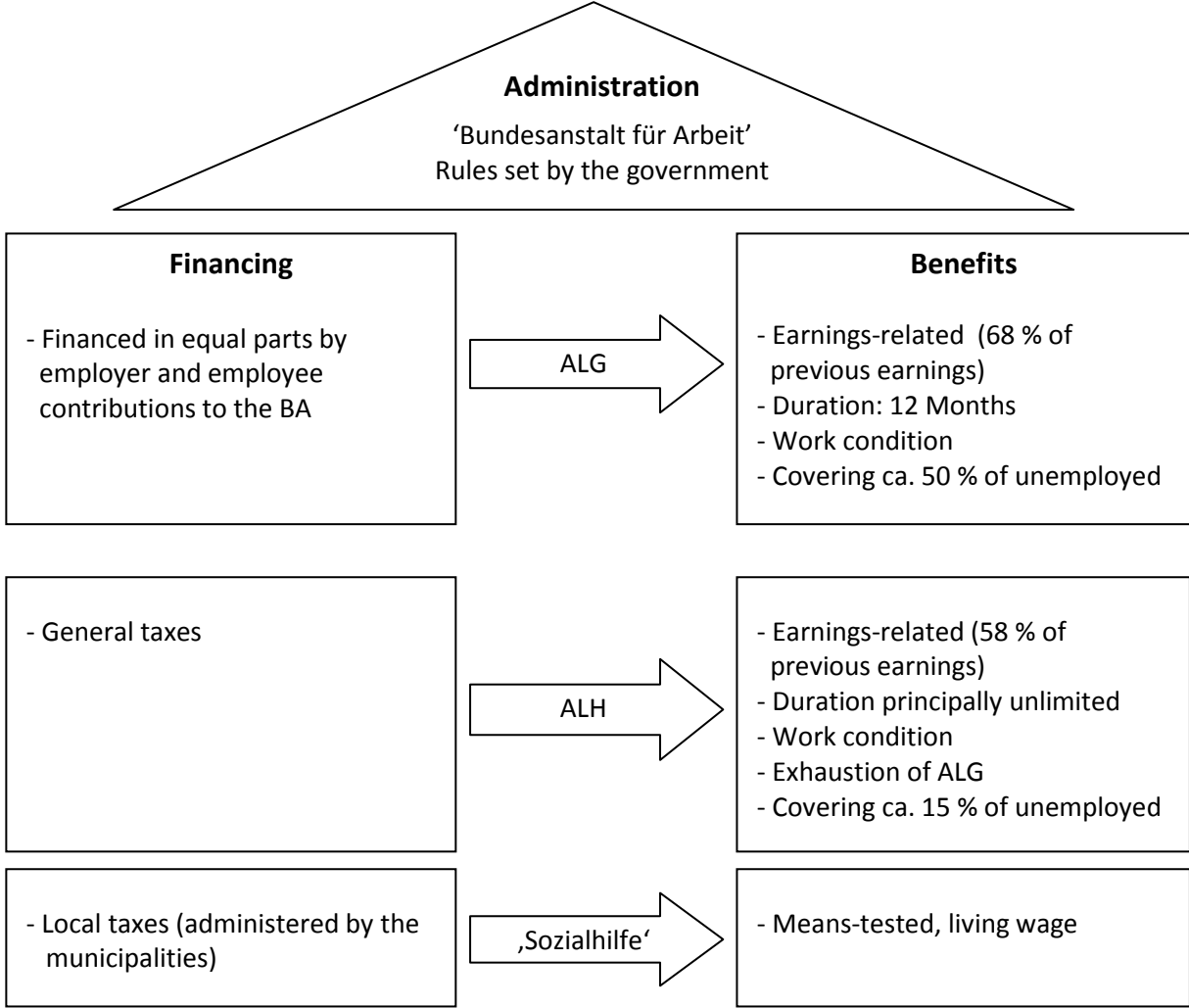
The expansion of ALG and ALH continued in the following years under the Grand Coalition as well as under the subsequent SPD/FDP government, but conflicts intensified after the Grand Coalition in 1969 obliged future governments to balance annual deficits in the BA budget by state loans or subsidies. As long as unemployment remained low and the *Bundesanstalt* generated surpluses the conflict was about reducing contributions or raising benefits. But when unemployment started to rise in the 1970s and 1980s, and the *Bundesanstalt* produced growing deficits, the conflict more and more shifted to the question how to balance these deficits. In this instance, the unions, the SPD and the social policy wing of the CDU favored to raise contributions or to make the self-employed pay into the system to balance it, whereas the rest of the CDU and the FDP called for benefit reductions. When faced with these problems in the mid 1970s, the Social-Liberal governments – after intra-coalition conflicts – reacted by small contribution increases and the tightening of contribution conditions, in this way avoiding cuts in the benefit level, sparing the core workforce and, thus, appeasing the unions.¹⁶

So, at the end of the 1970s the expansion of unemployment support came to a halt. Although the generosity of system had grown substantially, the general structure of the unemployment protection system had not changed since its creation in the 1950s (see Fig. 5). When the economic situation deteriorated further in the early 1980s, the Social-Liberal coalition finally broke up in 1982, as the FDP hoped to be able pursue a more radical reform agenda in a bourgeois coalition with the CDU. However, the cuts in ALG and ALH implemented by the CDU/FDP government were far from what the FDP had hoped for. Among other things, benefit levels were somewhat reduced for childless claimants, but at the same time contribu-

¹⁶ Furthermore, ALMP expenditures, which since 1969 were financed from the BA budget, were reduced. This retrenchment pattern recurred later on, as it was politically much easier to cut discretionary ALMP measures than to reduce popular unemployment benefits.

tions were raised.¹⁷ In the mid 1980s, the particular structure of the unemployment system even allowed the government to expand the maximal ALG duration for older workers and to reduce contributions, since many long-term unemployed had lost their entitlements and, thus, relieved BA budget pressures. While the benefit extension was a request by the then still powerful social policy wing of the CDU, the SPD and the municipalities, the contribution reduction was required by the FDP and the market-liberal wing of the CDU (Zohlhöfer 2001: 663-670). At the end of the 1980s, however, BA budget deficits and the debate about benefit cuts returned.

Figure 5: Unemployment protection in Germany, 1980



Sources: Clasen 1994, 2005

¹⁷ Resistance against more radical reform measures was not restricted to the unions or the SPD. The municipalities also protested against a tightening of contribution conditions, as they had to bear the cost of the growing number of uninsured unemployed (Clasen 1994: 160-161).

The German unification for some years changed the whole debate. In response to the massive number of layoffs in the new *Länder*, large ALMP programs were initiated. These expensive measures and the rising unemployment were financed through steeply increasing contribution rates and mounting BA budget deficits. When the brief unification boom ended abruptly followed by recession, the old partisan patterns returned – but this time under exacerbated conditions. Shifting its focus to budget consolidation and strengthening German competitiveness, the CDU/FDP government under protests of the opposition parties reduced ALMP programs and, furthermore, implemented drastic changes in ALG and especially in ALH (Heinelt/Weck 1998). Though cuts in benefit levels and changes in benefit duration were substantial, new rules concerning behavioral conditionality were at the center of the reform measures. A stricter work test for ALH (and later ALG recipients) was imposed and new suitability criteria were implemented, dropping the relevance of previous qualification and, after six months, deeming any job suitable with net earnings higher than benefit (Clasen 2005: 69-70). The opposition parties protested but were excluded from the policy-making process, except for the planned restriction of ALH to two years and the proposed abolishment of ‘original ALH’¹⁸ which were blocked in the *Bundesrat* (Zohlnhöfer 2001: 677-678).

In the autumn of 1998, the first Red-Green government was formed. Although, reversing many reform measures of its predecessors, the changes concerning unemployment protection remained untouched. It was not until the return of deep economic crisis in 2002 that serious reform efforts were started. Facing more than four million unemployed, a shrinking economy and humiliating defeats in *Länder* elections, the second Schröder government implemented the far-reaching ‘Hartz reforms’ including cuts as well as a restructuring of the system. The maximal duration of ALG was fixed at 12 months (18 months for older workers) and qualification criteria tightened. At the same time, ALH and social assistance were merged into ALG II (*Arbeitslosengeld II*), a single means-tested benefit which meant lower payments for most former ALH claimants. Finally, suitable criteria and sanctions were tightened further for ALG II recipients, meaning that they had, in principle, to accept any legal job offered (Clasen 2005: 75). Given the extent of the reform, the SPD faced massive resistance from its own ranks, especially the left wing of the party, and the unions. Some concessions concerning suitability criteria and sanctions were made by the government, but had to be reversed after negotiations with the CDU, who threatened to block the reform in the *Bundesrat* (Hassel/Schiller 2010: 264-290). Prior to this, CDU and FDP had presented even more radical reform proposals and criticized the Hartz reforms for not going far enough.

¹⁸ *Originäre Arbeitslosenhilfe* was the form of ALH which could be claimed without prior receipt of ALG due to the fulfillment of certain contribution conditions.

The following years saw some minor debates, for example, about the duration of ALG, which was extended for older workers under the Grand Coalition, and a more intense debate between the left and the right bloc about an increase of ALG II¹⁹ in 2010. This debate showed the typical partisan differences, with SPD and Greens demanding a higher increase than the CDU/FDP coalition offered.²⁰ All in all, CDU, SPD and Greens have more or less adjusted to the new structures, whereas the FDP is favoring still stricter rules for the unemployed, and the Left Party is calling for a complete abolishment of the Hartz reforms and massive benefit increases.

In sum, the partisan conflicts in the golden age centered on the question what to do with BA surpluses. One side favored lower contribution rates, while the other side wanted to raise benefit generosity. It is important to note, though, that conflict lines did not run clearly between political parties, but that there was also disagreement within the SPD and particularly within the CDU. When unemployment rose and the BA accumulated budget deficits, the conflicts intensified but now centered on the question how to balance these deficits. Under even higher fiscal pressures and the emergence of the activation discourse the debate, ultimately, turned to conditionality. After first steps in this direction were taken by the bourgeois government, the Red-Green coalition completed the reforms by restricting unemployment insurance benefits and creating the means-tested and highly conditional ALG II. Since then, the partisan differences have centered on aspects of the new system like ALG duration and suitability criteria. At the same time, some kind of partisan consensus has arisen, with only the Left Party fundamentally challenging the established system.

5. Conclusion

Starting from a short and critical summary of the decline-of-partisanship thesis, this paper outlined a more contextualized approach to analyze and compare the evolution of partisan effects in advanced democracies. According to this approach, welfare institutions (as well as political institutions) are supposed to decisively affect the preferences of political parties and their reform proposals, and thereby to structure partisan conflicts. As a consequence, even as ideological left-right differences may be similar in different countries, sticking points, conflicts and potential partisan effects in particular policy domains are likely to differ substantially. Using the example of unemployment protection, the approach then was tested

¹⁹ Changes were made necessary, as the Federal Constitutional Court had ruled the calculation of ALG II as unconstitutional.

²⁰ Moreover, Social Democrats and Greens linked the negotiations to the expansion of minimum wages – an issue hotly contested among the two political camps.

for Great Britain, Sweden and Germany, three countries which developed quite different systems of unemployment protection in the first half of the twentieth century.

As expected, the case studies demonstrated that the content of partisan conflicts was highly dependent on the country-specific interaction of financing, benefits and the administrative structure. Moreover, with rising unemployment, the content of partisan struggles changed as well as the intensity of the conflicts. In Britain, differences between Conservatives and Labour centered on benefits and the benefit structure. After the insurance principle was expanded until the 1970s, the Conservatives used economic crises to transform the system into a basically means-tested scheme. Labour, at first, wildly protested but later accepted the changes. In the mid 1990s the debate shifted to conditions of conduct for the unemployed and other groups, until then, outside of the unemployment system. Partisan differences on these issues, though, almost disappeared. In Sweden, the voluntary insurance funds were at the center of attention. Under Social Democratic rule, the union-led scheme was defended and made more generous, while the burden of financing was more and more shifted to the employers. Under austerity the conflict intensified. Using different strategies, the Conservative-led bourgeois bloc tried to implement obligatory insurance and shift the burden of funding to employees, whereas the SAP and the Left defended the Ghent system and low membership fees. Struggles over benefit generosity were closely intertwined with structural reform. In Germany, the debate centered for a long time on the use of BA surpluses and, when unemployment rose, on the question how to balance BA deficits. The conflict line, though, did not always run along party lines, but often cut through the parties. Under austerity, things first polarized but after the implementation of structural reforms by the Red-Green government only the Left Party fights the established unemployment system.

Concerning changes over time, the British and the German case reveal similar patterns. Constrained programmatic differences in the golden age are followed by party polarization, a shift of the debate to the right and, finally, party convergence. The Swedish case, however, reveals a different pattern as struggles over unemployment protection intensified over time. This differing result may underpin the argument made by Kwon and Pontusson (2010) that, under globalization, strong unions lead to rising partisan effects. In any case, the empirical evidence demonstrates that the content of partisan conflicts differs among countries as well as over time, making generalizing comments about the disappearance of partisan effects highly problematic.

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