THE SOCIAL CONSTRUCTION OF AN IMPERATIVE
Why Welfare Reform Happened in Denmark and the Netherlands but Not in Germany

By ROBERT HENRY COX*

THE Netherlands and Denmark have become the model cases of welfare reform in Western Europe. Academics and journalists have written scores of books and articles on the topic. Governments in other European countries have sent delegations to observe and learn how the Dutch and Danes managed this remarkable feat. Much of the attention came from Germany, where officials were looking to emulate the Dutch and Danish successes. The German discussions often took on a woeful tone, however, listing reasons Germany was destined to fail in its effort to learn from its neighbors.

In addition to being an issue of great public and political interest, the contrasting experiences present an ideal opportunity for comparative policy analysis. Three countries, similar in political culture, history, and institutional form have different experiences in effecting policy change. This means either that the cultures, histories, and institutions in these countries are less similar than has been assumed or that there is more to the policy process than has yet been seen. Most of the studies of this issue have taken the former point of departure. Especially among German academics, the differences between Dutch and German corpo-

* An earlier version of this article was presented at the annual meeting of the American Political Science Association, Atlanta, September 1999. Research for this project was supported by the Fulbright Foundation and the German Marshall Fund of the United States, Grant no. DC003391. The author would like to thank Chris Allen, Christian Breunig, Helen Fawcett, Norman Furniss, Christopher Green-Pedersen, Kees van Kersbergen, Ashwani Kumar, Jon Kvist, Dave Robertson, Edeltraud Roller, Josef Schmid, and Herman Schwartz for advice, comments, and assistance with data sources.


World Politics 53 (April 2001), 463–98
ratism, for example, or the uniqueness of German unification are taken to explain why the experiences of their neighbors cannot be emulated.

In this article I adopt the latter point of departure, arguing that much of the difference is explained by a factor that often gets overlooked, namely, the social construction of the need to reform. By this I mean that reform was made possible in Denmark and the Netherlands by political leaders who mobilized public debate by a process called “path shaping”\(^2\)—framing issues in ways that generated widespread support for reform initiatives. In Germany the debate remained polarized, with many important political actors rejecting the suggestion that reform was either necessary or desirable. The reform process was by no means easy in Denmark and the Netherlands, but after the path was shaped, controversy centered on the character and timing of reform. In Germany, however, the failure to shape a new path for reform resulted in a path-dependent stalemate.

**The Dependent Variable: The Quality of Welfare Reform**

Comparative studies of welfare reform have focused on both its quantitative and its qualitative indicators. On the quantitative side, public spending is the proxy many researchers have used to measure retrenchment,\(^3\) as well as, for example, the effects of retrenchment on the incidence of poverty in a country.\(^4\) In quantitative terms, all three countries in this study have made important cutbacks.\(^5\) Figure 1 shows that all three countries, especially the Netherlands, have done better than most in containing welfare growth. Based on quantitative measures alone, however, Denmark does not deserve its reputation as a vigorous reformer.

Indeed, welfare reform stands out in Denmark and the Netherlands because it represents a *qualitative* change in the character of public policy, a change that amounts to a reconsideration of the social rights of

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\(^2\) Full credit for coining the concept of path shaping goes to Jacob Torfing, “Towards a Schumpeterian Workfare Postnational Regime: Path-Shaping and Path-Dependency in Danish Welfare State Reform,” *Economy and Society* 28, no. 3 (1999), 369.


In the postwar period social rights provided the normative justification for building generous social programs. As many scholars have noted, the hallmark of the postwar welfare state was a shift from the idea that aid to the poor should carry a stigma toward the idea that public assistance is a right to which all citizens are entitled. And in the most advanced welfare states the level of assistance tries not only to provide citizens with the means to assure mere subsistence but also to award them sufficient resources to participate fully in society. These were the hallmarks of a morally neutral, generous welfare state.

Today, in both Denmark and the Netherlands, welfare reformers actively seek to interfere with individual moral choice. Both countries vig-

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**FIGURE 1**

CHANGE IN SOCIAL EXPENDITURES AS A PERCENTAGE OF GDP

orously enforce work requirements for public assistance and unemployment and even tell people how they must change their lifestyles in order to successfully hold a job. Both countries are also moving away from universalism, either by placing more responsibility on individuals to secure their own welfare or by targeting only the truly needy for support. In the process people who might qualify but do not need assistance, such as the middle class, are excluded. In Denmark, Jørn Loftager has referred to this in Durkheimian terms as a shift from organic to mechanical solidarity. In the Netherlands, Romke van der Veen and Bart Trommel have called the reforms a “managed liberalization” of the Dutch welfare state. For example, to encourage people to stay in the workforce longer, levels of income replacement in unemployment, disability, and early-retirement schemes have been reduced. Instead of building a strong safety net for those who leave the workforce, social policy now emphasizes keeping people in the labor market. The result has been a dramatic reduction in unemployment figures in the two countries, a result that has drawn the attention of officials in other countries.

Similar qualitative changes have been elusive in Germany, setting this case apart. Trade unions have opposed active labor-market policy. Pension reform and a related tax reform that would increase incentives to remain in the labor market have stagnated in parliamentary debate. Though its record in quantitative budget cutting compares favorably with other countries, Germany’s welfare state has not experienced the qualitative shift in focus that has occurred in Denmark and the Netherlands.

**The Theoretical Challenge: Why Conventional Explanations Fall Short**

Conventional explanations of welfare reform are inadequate for explaining the different experiences of Denmark, the Netherlands, and Germany. The leading conventional explanation, the “power resources” explanation, was developed in the postwar period to explain the growth of welfare states and more recently has been used to explain their expe-

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riences with retrenchment. According to this argument, welfare states grew in the postwar period because groups that wanted the programs (social democrats and labor unions) were well organized and held politi
cal power in the countries where the most extensive welfare expan-
tion took place. The intensity of welfare reform, therefore, should 
correlate with the political strength of right-wing forces, which gener-
ally are less enthusiastic about the expansion of social policy.

Critics note that the difficulty with the power resources argument is 
that there is no pattern that distinguishes left from right during the pe-
riod of retrenchment. Thus, right-wing governments in some coun-
tries have found their efforts to retrench frustrated by public 
opposition, whereas left-wing governments in other countries have 
managed to enact dramatic reforms. As Fritz Scharpf noted, the lack of 
a clear pattern indicates the need to look at the actual strategic plans of 
governments, rather than assuming their policy preferences from their 
ideological location.

For the cases of Denmark, the Netherlands, and Germany this 
dilemma is more pronounced. During the 1980s bourgeois govern-
ments reigned in each of the three countries. Bourgeois control was 
weakest in Denmark, often consisting of minority governments. The 
power resources argument would therefore predict more retrenchment 
in Germany and Netherlands, where solid coalitions between moderate-
right Christian democrats and neoliberals were more firmly committed 
to paring back welfare expenditures. The record from the 1980s bears 
out this claim. The Dutch made some dramatic reforms, though fail-
ure to reform the country’s most expensive program, disability benefits, 
canceled out the savings from cuts made elsewhere. Germany made 
notable cuts to its health care expenses, but the Danish welfare state 
seemed impervious to reform.

In the 1990s the conditions for the power-resource explanation be-
came more problematic. Helmut Kohl’s moderate-right government 
retained control in Germany until 1998, but welfare reform stalled.

13 Fritz Scharpf, *Crisis and Choice in European Social Democracy* (Ithaca, N.Y.: Cornell University 
14 Coen Teulings, Romke van der Veen, and Willem Trommel, *Dilemma’s van Sociale Zekerheid: Een 
Analyse van 10 Jaar Herziening van het Stelsel van Sociale Zekerheid* (The Hague: Ministerie van So-
ciale Zaken, 1997).
15 Susan Giaimo, “Health Care Reform in Britain and Germany: Recasting the Political Bargain 
with the Medical Profession,” *Governance* 8 (July 1995); Jens Borchert, *Die Konservative Transfor-
mation des Wohlfahrtsstaates: Großbritannien, Kanada, die USA und Deutschland im Vergleich* (Frankfurt: 
Campus Verlag, 1995).
16 Lars Nørby Johansen, “Denmark,” in Peter Flora, ed., *Growth to Limits: The Western European 
Social democrats took control of left-wing governments in both Denmark and the Netherlands and implemented dramatic welfare reforms in both countries. Many explanations of these two cases argue that the left-wing governments merely followed through on changes that had been put in place by the previous right-wing governments. But if change of government really did not matter, it raises doubts about the importance of the power-resources explanation.

Coalition analysis is a recent variant of the power-resources approach. Although it accepts the general argument that identifying those who hold political power is the best way to explain policy reform, it improves the measure for political support. Whereas power-resource scholars crudely distinguished between left and right, coalition analysts treat the middle class as a distinct type of political force and treat unions and business leaders as independent actors able to lend their support to a number of political parties. In the period of welfare growth, for example, the decision of the middle class to support or oppose universalization determined whether the left or right would be successful. Therefore, even when the left was in power, the reluctance of the middle class to support welfare expansion deprived it of a critical mass of support. In the era of retrenchment the middle class has embraced fiscal restraint, even arguing that generous welfare programs undermine the obligations of citizenship. Thus, left-wing governments that rely on the middle class to stay in power have been forced to become welfare reformers.

Coalition analysis offers much purchase in explaining these three cases. The success of reform in the Netherlands and Denmark began in the 1980s with a coalition between a government committed to reform and employers who demanded cuts in wage costs. When leftist governments took power in the 1990s, they had a weaker degree of parliamentary support and had no choice but to implement the reforms begun by their bourgeois predecessors. Despite strong parliamentary

support, Kohl’s governments in Germany were prevented from making similar changes because they lacked support from the social partners (employers and labor unions), whose position in corporatist bargaining weakened the coalition for reform.

Although coalition analysis improves on the power-resource approach, it is more useful for explaining efforts to cut costs than for explaining qualitative reforms in welfare programs. In Germany the major reforms strove to reduce health care expenditures through budget cuts, but the Dutch and Danes embarked on a rethinking of the fundamental purpose of social policy. In focusing on how a coalition is able to reach its goals, coalition analysis overlooks the question of how those goals are defined and articulated. It is one thing for a coalition to wield the power to make policy changes, it is quite another (and in a democratic country necessary) to establish the authority to act. Indeed, assuming that groups whose interests and ideologies diverge have strong reasons to disagree, creating a coalition demands that the actors adjust their interests and ideological language to find a political space in which maximum agreement can be reached. As I argue later in this article, a social-constructivist explanation concentrates on exactly this problem of how coalition agreements are created. Consequently, the constructivist approach enhances the explanatory power of coalition analysis.

A second type of explanation identifies institutional differences as the reason for the different policy outcomes. Institutionalists argue that policy institutions establish conditions that create environments that are favorable for some types of reform and unfavorable for other types. Institutional analysis has been employed to explain the difficulties of reforming health care, as well as the inability of anti-welfare

21 Borchert (fn. 15).
state governments to carry out more than minor reforms of even obscure programs with small constituencies.\textsuperscript{25}

Institutional explanations have been especially popular with German scholars trying to fathom their own country’s slow progress in welfare reform; they looked to Denmark and the Netherlands for useful lessons that might be imported. These explanations argue that differences in the character of corporatist representation and wage bargaining, namely, the centralization of trade union and collective bargaining in Germany, explain why reform fails. Weak union voice in Denmark and the Netherlands is demonstrated in the trend toward decentralized wage bargaining and in a weak system of corporatism that gives the government greater autonomy.\textsuperscript{26} Other explanations focus on the important differences in the character of welfare programs, particularly public pensions.\textsuperscript{27} Denmark has a more universal pension system, funded out of general revenues. Because the pain of cutbacks can be spread equitably across the population, the system is easy to reform. By contrast, because the German system is a pay-as-you-go contributory arrangement, reform is a politically divisive zero-sum game. Either retired workers who paid into the system throughout a lifetime in the workforce will never realize their expected benefits, or the current working generation will continue to pay taxes to fund the system but will never receive benefits. Though the Dutch system is like the German system, it is easier to reform because earnings-related benefits are fully funded, meaning the contributions of a future generation of workers are not needed to satisfy current obligations.

These institutional explanations say much about the differences across the three cases, but they are less persuasive when the cases are placed in a larger comparative context. The differences between Danish, Dutch, and German corporatism, no matter how important, are still smaller than the differences among all three, on the one hand, and Britain and the United States, on the other hand. Britain and the U.S. lack mechanisms for corporatist consultation and are often labeled “lib-

\textsuperscript{25} Pierson (fn. 12).
eral” rather than “corporatist” welfare states. Yet the quality of welfare reform in Denmark and the Netherlands looks much like the welfare-to-work or workfare programs under way in Britain and the U.S. Because the Netherlands managed the change and Germany did not, the institutional design of its welfare state per se is not the problem. Denmark, too, poses challenges when set in a broader context. According to conventional typologies, it is one of the Scandinavian welfare states where generous social support empowered individual autonomy and created a feeling of social solidarity. By this standard, the Danish shift is more dramatic than the Dutch, and both countries should trail Germany.

The differential experiences of these three countries challenge the assumption of path dependency, common to institutional analyses. Path dependency holds that institutions create a conservative bias and tend to produce similar types of political decisions over time. Though the German case seems to fit the assumption, the magnitude of change in Denmark and the Netherlands offers two path-breaking examples to the contrary. Most institutional analyses are ill equipped to explain these as more than anomalies. But if the Netherlands and Denmark are model cases of welfare reform, then they cannot be considered anomalies. Institutional theory improves if it can specify the internal dynamic that allows welfare reformers to chart a new policy course. The argument advanced here is that the constructivist perspective expands institutional theory because it specifies theoretically the path-shaping power of ideas and individual action to alter individual preferences and institutional configurations.

A third type of explanation eschews theory and emphasizes idiosyncratic characteristics to explain welfare reform in these countries. Germany, according to such accounts, failed to implement welfare reform because of the peculiar burden of unification. The need to rebuild the industrial infrastructure in the eastern part of the country, to create a common currency and regulatory apparatus, and to cushion a population with poor skills from the social effects of the transition to an industrialized economy absorbed time and political energy that might

28 Esping-Andersen (fn. 6).
30 Paul Pierson, “Increasing Returns, Path Dependence and the Study of Politics” (The Jean Monnet Visiting Professor Lecture, European University Institute, Florence, April 1997).
otherwise have been directed to rethinking the welfare structure. Though plausible, the difficulty with this argument is that large-scale reform of social welfare could easily have been packaged as part of the cost of unification. As demonstrated by the dramatic reform of the deutsche mark in 1991 and by other big reforms related to unification, large-scale reform was possible.\textsuperscript{32} Indeed, unification could have provided an opportunity to reconfigure the German welfare state, especially before many new citizens in the eastern part of the country became accustomed to the traditional forms of social support. But German leaders chose to leave the social welfare system alone and concentrate instead on other problems of unification.

Idiosyncratic arguments have been used to explain the Dutch miracle, too. The most well known book on the subject argues that policy learning and good luck combined to produce that country’s dramatic economic turnaround.\textsuperscript{33} The Dutch, the account goes, were fortunate in having bright leaders who learned from past mistakes and seized upon opportunities to effect successful change. Attributing the Dutch success to the country’s good luck, however, limits the power of the argument to explain more than a single case. It means that German officials lacked cleverness, were unlucky, or both.

Indeed, most idiosyncratic accounts implicitly identify a factor that deserves more theoretical attention. In all cases welfare reform or its failure coincided with the presence or absence of a new mood among the decision-making elite about the need to reform. German officials chose not to include the welfare system when they considered the demands of unification. In Denmark and the Netherlands even those who were enthusiasts of the welfare state declared a need to reform it and worked hard to convince others. But this imperative to reform was not a mere idiosyncracy. As an idea, it can be treated as an independent variable in a cognitive theory of policy reform. “Social constructivism” is the name currently used to outline cognitive theories of social and political change. A social-constructivist account offers a way to explain why the reform imperative was constructed in the Netherlands and Denmark yet for a long time proved elusive in Germany.

\textbf{The Theoretical Alternative: Social Constructivism}

Social constructivism is an inelegant label for a perspective that emphasizes cognitive factors in explaining behavior and social out-

\textsuperscript{33} Visser and Hemerijck (fn. 5).
comes. Its intellectual origins can be traced back to Max Weber’s pioneering work on the role of ideas in social change, and it has waxed and waned within the social sciences, variously carrying such labels as interpretivism, hermeneutics, and structuration. The recent resurgence of social constructivism has been strongest in the fields of comparative political economy and international relations. Social constructivism is ontologically and epistemologically different from conventional explanations of social phenomena and by extension of conventional explanations of welfare reform. These differences have been the subject of careful study by many scholars and cannot be fully discussed here. For the purpose of this article, however, I wish to outline how the social-constructivist approach offers a persuasive explanation for the differential pattern of welfare reform in Denmark, the Netherlands, and Germany.

First, at the ontological level, social constructivists argue that the beliefs and preferences of individuals cannot be deduced from preconceived assumptions about human nature but rather that they are constructed in a social environment where the beliefs and preferences held by other members of the community constitute the basis for what is deemed to be socially valued or preferred. Logical deduction led advocates of the power-resources explanation to assume that parties of the left were proponents of welfare expansion, though in fact they often were not. Social constructivists, by contrast, hold that the ideological preferences of political actors are to be discerned by empirical inquiry and not by deductive assumption. This means that the actions of the left-wing coalitions in Denmark and the Netherlands need to be examined and contrasted with the policy initiatives of German governments.


38 See, for example, Mark I. Lichbach, “Social Theory and Comparative Politics,” in Mark Lichbach, Alan Zuckerman, and Ira Katznelson, eds., *Comparative Politics: Rationality, Culture And Structure* (Cambridge: Cambridge University Press, 1997); Ruggie (fn. 34); Checkel (fn. 34).

Second, these beliefs and preferences can exist independent of the physical world. Here social constructivists build upon Weber’s fact/value dichotomy, according to which, the capacity of humans for rational thought allows us to construct “worlds” that are logical and real but reside only inside our heads. The existence of facts in the physical world has a strong impact on the way we construct our understandings, but our cognitive capacity allows us to attach values to those facts that give them a special meaning. These special meanings then influence the way we plan our actions.

Institutionalists often overlook the connection between facts and values, assuming that similar institutions will hold similar meaning in different countries. Rational institutionalists, for example, view institutions as constraints on the behavior and preferences of rational actors. For them, institutions affect behavior only as obstacles that actors must negotiate. Historical institutionalists, who are less rigid on their assumptions about human motivation, still tend to view institutions in configurative terms, emphasizing their path-dependent qualities. In a comparative study of unemployment reform, Jochen Clasen highlighted the problem: “Demonstrating the role of institutions as constraining policy making is not the same as illustrating their facilitating role. An absence of institutional barriers in Denmark and the UK similar to those in Germany cannot be taken as proof of the significance of institutions for policy formation.”

Path dependency works only when it is accompanied by a conception of the role of human agency. Jacob Torfing adds a theory of agency to institutionalism by stressing the importance of path-shaping behavior engaged in by actors who seek to overcome institutional and circumstantial obstacles. Path shaping serves as a cause for policy reform when actors change the conceptual discourse in an area of a policy, establishing new grounds for evaluating the legitimacy of policy proposals. The new social construction makes it easier to change institutions in order to accommodate the policy reforms. Therefore, ideas, expressed as new concepts for legitimating policies, function as independent causes of reform.

41 Clasen, “Motives, Means and Opportunities: Reforming Unemployment Compensation in the 1990s” (Manuscript, European University Institute, Florence, 1999), 24.
42 Torfing (fn. 2).
The welfare state is an ideal example of a socially constructed concept amenable to path shaping. It consists of specific policies and programs, but these have meaning only as a result of their connection to a unique constellation of values, goals, and objectives that resonate in society. The stories of their constructions are replete with examples of policy entrepreneurs who took well-established principles, such as security, equality, or justice, and packaged them as justifications for the expansion of public policy.44

If the idea of the welfare state is socially constructed, so is the need to reform it. Scholars have noticed many global pressures that prompt policymakers to make adjustments in their welfare programs. Greater mobility of productive capacities fosters factor-price equalization, meaning that wages and social taxes must be adjusted to keep firms from fleeing to low-wage countries.45 Demographic changes place more strain on pensions and health care budgets, and technological innovations make the delivery of education more expensive. Conventional studies of welfare reform take this as evidence of the “need” to reform and set out to examine how and whether reform follows from these global trends.

From a social-constructivist perspective, however, whether a society needs to reform its welfare state is itself treated as an open question. A welfare state may be ill adapted to the new world of globalization, but many dysfunctional institutions can persist for a long time.46 Because welfare states do not need to reform, people must want them to reform. Yet the reform process is a political one, meaning that it will not be readily evident to all political actors that reform is necessary. Indeed, many other actors will be resistant to the idea of change or will deem any change as not in their interests; they will therefore oppose altering the status quo. In a political environment the advocates of reform need to employ strategies to overcome the skepticism of others and persuade them of the importance of reform. In other words, they must create a discourse that changes the collective understanding of the welfare state, because doing so “shapes the path” necessary to enact reform.

Throughout the postwar period the welfare discourse in many coun-

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tries fostered the development of social programs to provide security and alleviate poverty. Public support for these objectives was strong.\footnote{Richard Coughlin, \textit{Ideology, Public Opinion and Welfare Policy: Attitudes toward Taxes and Spending in Industrialized Societies} (Berkeley: University of California Press, 1980); Jørgen Goul Andersen, “Sources of Welfare-State Support in Denmark: Self-Interest or Way of Life?” in Erik J. Hansen et al., eds., \textit{Welfare Trends in the Scandinavian Countries} (Armonk, N.Y.: M. E. Sharpe, 1993).} Specific disagreements centered on the timing and pace of those reforms. Budget cutting, according to this discourse, amounted to a setback in the mission of the welfare state and was resisted by its defenders.

Today, in countries where welfare reform has succeeded, the discourse has changed. From Sweden to the United States, critics of the welfare state lament its perverse incentives that encourage cheating and erode family coherence. To an increasing degree, reform is framed as a way to strengthen the welfare state. But budget cutting is not the type of reform envisioned by such advocates. Rather, they focus on qualitative reforms, sometimes irrespective of the cost. Qualitative reforms seek to eliminate the opportunities for moral hazard, target groups in greatest need of assistance, and improve the efficiency of the welfare delivery system.

Actors change the discourse by careful reframing of policy issues. According to Thomas Rochon, issues can be successfully reframed when they build upon existing social values, sometimes recasting values to make them relevant to the proposed reform.\footnote{Thomas Rochon, \textit{Culture Moves: Ideas, Activism, and Changing Values} (Princeton: Princeton University Press, 1998).} One example of this is the shifting discourse about public pensions. Privatization is now framed, not as a rollback of the welfare state, but as a means of strengthening individual autonomy by giving people control over their pension savings. Likewise, under the old discourse means-tested public assistance was deemed degrading and inferior to universal assistance. Today, means testing is promoted by those who want to make public assistance available for the truly needy and to exclude those who might qualify but do not need assistance.

As a framework for the comparative study of welfare reform, a socialconstructivist approach can explain dissimilar patterns of reform in countries that should be expected to change in similar, path-dependent ways. Such an argument succeeds if it can identify policy entrepreneurs who shifted the discourse about the purpose of the welfare state and if this new discourse influenced the adoption of policy reforms. The study should find both conditions present in Denmark and the Netherlands, while in Germany either policy entrepreneurs have not altered the dis-
course about the welfare state or they have failed to implement reforms that conform with the new discourse.

**DENMARK**

A change in the discourse surrounding the Danish welfare state can be traced to 1973, when a political crisis brought down the political establishment following elections in that year. Soul searching among the political establishment followed, and the welfare state was blamed for stifling individual incentives and causing a breakdown in civic-mindedness by encouraging legal tax evasion. To address these problems, a famous treatise of the day declared that the political establishment needed to conduct a “revolt from the middle” and reform the welfare state before the radical fringe captured the initiative. Disconcert led to a great number of policy initiatives that reflected similar though not yet coherently articulated concerns. There began to emerge out of the debate a new vision that reclaimed old values and recast the desirable aspects of the welfare state in accordance with these rediscovered values. The reforms, combined with increasing public dialogue, were beginning to give shape to a new vision of the welfare state. Today all political groups are struggling to dominate the public interpretation of this new welfare state.

In Denmark perhaps the most heated discussion about the welfare state centered on the question of whether the welfare state undermined the duties of citizenship. Indeed, the debate predated concern over the growing costs of the welfare state. Many publicly funded welfare services, such as higher education and cultural activities (museums and opera), are utilized disproportionately by groups that have a greater ability to pay. Tax subsidies for middle-class homeowners promoted an increase in owner-occupied homes and even a strong market in vacation homes. All this was seen as evidence of a more calculating, self-interested citizen whose value structure was egoistic, not solidaristic.

To promote reform, the bourgeois governments began a campaign in the late 1980s to recapture the lost spirit of the welfare state. For rhetorical effect, the government borrowed the idea prominent in

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American welfare discussions that the welfare state crowds out civil society’s capacity to solve its own problems. At their party congress in 1981, Conservatives concocted the slogan “from welfare state to welfare society” and used it as a loosely specified justification for a variety of proposals. The Liberals (the other major party of the right) adopted the slogan and together with the Conservatives argued that to encourage civil society the state needed to reduce its welfare tasks and provide incentives for private actors to take them on. In practice, this was a proposal for privatization of many social services and for more tax incentives.52

The rhetorical shift was quickly embraced by the Social Democrats, who saw a shift toward a welfare society as a solution to the welfare state’s wicked evil—social exclusion, a term that identifies a negative consequence of a passive system of cash transfers. When the Social Democrats accepted the need for change, however, they lost the initiative in framing the debate. The bourgeois government successfully portrayed the Social Democrats as not serious about reform and capitalized on its momentum to propose a dramatic review of the system of cash transfers.

In keeping with Danish tradition, the government established a special commission of independent experts to review the existing system and offer proposals for reform. The Social Commission, as it was called, published a number of reports in 1993.53 According to the commission, the main problem of the welfare state was a low level of labor-market participation, especially among the young. Generous benefits that could be renewed forever had convinced too many young people that paid leisure was more profitable than paid work. As their skills deteriorated, many of these people became permanently dependent on social support.

The Social Commission proposed adjustments that would encourage people to choose work over idleness, for example, by lowering the level of social assistance below the average wage, raising the qualifying age for early retirement, and setting a five-year limit on unemployment benefits. But these were mere adjustments to the existing system. More dramatic was the commission’s recommendation to fundamentally retool the philosophical foundation of the system by rejecting the practice of moral neutrality that had been introduced in the 1960s.

52 The author is grateful to Peter Kurrild-Klitgaard for pointing out the origins of the phrase.
53 Indeed, the Social Commission was not the only important committee. The Zeuthen Committee, established in the late 1980s, was charged with examining labor-market and unemployment policy. Its recommendations were the basis for the Act on Municipal Activation, discussed below. See Torfing (fn. 2).
To make this change, the Social Commission argued that reciprocity between rights and duties meant that individuals who receive assistance must accept the obligation to work. Similar proposals by the bourgeois parties had been rejected as alien to the Danish tradition and more akin to British neoliberalism. To overcome potential criticism, the Social Commission found a justification for its proposal in no better place than two articles in section 75 of the Danish Constitution:

—sec. 75.1: To promote the common welfare, every able-bodied citizen must have the opportunity to work under conditions that secure his livelihood.
—sec. 75.2: If a person is unable to support himself or his family, and he cannot rely on anyone else, he is entitled to public support; however, he must submit to those obligations that the law prescribes.  

Citing these passages of the Constitution in many of its reports, the commission argued for reciprocity between the rights and duties of citizens. But it also argued that reciprocity applies to the state as well. For the citizens’ part the right to welfare assistance is connected to the duty of all able-bodied citizens to work. This means that citizens who wish to be supported by the public sector agree to be placed in a socially useful activity. The state, for its part, has the right to demand that citizens work, but is also obligated to create the opportunities for citizens to fulfill their duty by providing them with offers of work.

The Social Commission reports were widely disseminated and widely discussed in the media. Judging by changes in public opinion, these new formulations of the obligations of citizens had immediate and profound effects. Table 1 presents the results of two surveys, conducted in 1994 and 1996, that reveal the degree of change in public attitudes. In 1994 only 29 percent of the population believed that income transfers were “getting beyond control.” In 1996 that percentage had almost doubled (54 percent), and in that year a majority had come to believe that income transfers must be reined in. Moreover, the 1994 survey indicated that a majority of Danes believed there was widespread abuse of welfare programs.

By the mid-1990s policy leaders were arguing for a change in the welfare state, and there was growing public belief that reform was necessary. This prompted the government, which by then had switched to

54 Socialkommissionen, Reformer: Socialkommissionens Samlede Forslag (Copenhagen: Socialkommissionen, 1993a), 82, author’s translation. See also Socialkommissionen, Socialkommissionens Reformforslag: Resumé (Copenhagen: Socialkommissionen, 1993b), 3.
a coalition led by the Social Democrats, to enact many important pieces of legislation. Of these the most important were the Act on an Active Labor Market Policy,\textsuperscript{57} the Act on Municipal Activation, and a dramatic overhaul of the pension system.\textsuperscript{58}

According to the Act on Municipal Activation, people who received social assistance had to make themselves available for work, and municipal governments, which administered social assistance, had to assume responsibility for providing recipients with offers of work so they might fulfill their obligations. The new program of activation has had a profound effect on the character of social rights in Denmark. Whereas previously the right of the citizen to receive assistance was a given, today officials are expected to negotiate plans to get people off assistance. Local governments are free to create their own definition of activation, and they carry out their responsibilities in different ways. Consequently, the content of rights can vary in quality from one local government to the next. But the right to assistance is no longer automatic.

The second legislation to result from the Social Commission, the Act on an Active Labor Market Policy, introduced a similar reciprocal set of duties for the unemployed. Local officials were charged with providing the unemployed job seeker with a plan for finding a job and eventually an employed situation. Imposing reciprocal obligations in

\begin{table}
\centering
\caption{Danish Voters’ Perceptions of the Welfare State (%)}
\begin{tabular}{lcccccc}
\hline
\textbf{Question} & \textbf{Year} & \textbf{Fully Agree} & \textbf{Partly Agree} & \textbf{Partly Disagree} & \textbf{Fully Disagree} & \textbf{Don’t Know} \\
\hline
Income transfers are getting beyond control & 1994 & 29 & 29 & 12 & 8 & 22 \\
& 1996 & 54 & 20 & 7 & 11 & 8 \\
In the long run, we cannot afford to maintain the welfare state as we have known it & 1994 & 21 & 29 & 20 & 16 & 14 \\
& 1996 & 41 & 18 & 11 & 23 & 7 \\
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\end{tabular}
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\textsuperscript{57} Ministry of Labor, \textit{The Danish Labour Market Model and Developments in the Labour Market Policy} (Copenhagen: Ministry of Labor, 1994).

\textsuperscript{58} Danish Ministry of Social Affairs, \textit{From Passive to Active: Sickness Benefit, Cash Assistance, Activation and Rehabilitation} (Copenhagen: Ministry of Social Affairs, 1995), 16–18.
the unemployment system was more problematic because it is a contributory system. But the Social Commission reminded its potential critics that since the existing unemployment system already stated an obligation to seek work, the only change was to assert that obligation more forcefully. Moreover, as unemployment skyrocketed in the 1980s, the state subsidy greatly exceeded contributions, warranting a more vigorous response.59

The emphasis on reciprocity in the two laws challenged the traditional passivity of the Danish welfare state. In a brilliant example of reframing, the Social Commission diffused potential criticisms by drawing a connection between its proposals and a Danish tradition that went back to the country’s Constitution. The commission argued that its reforms would restore the historical roots of the Danish welfare state. By framing the issue in this way, the Social Commission tried to make the proposal appear less radical than it was perceived to be by its critics and to paint the passive status quo as the real radical departure from the value structure of the typical Dane. Further, this tack dispelled the criticism that activism was merely British- or American-style “workfare.”

The third area of legislative reform will transform the universalistic pension system into a more contributory one. Recognizing the burden that a growing elderly population will impose on the future solvency of the system, the Social Commission argued that individuals needed to take more responsibility for their own pension savings. As a result, the commission advocated making the public system a less central component of total pension income and replacing the receding public scheme with more vigorous incentives for private pension savings. The first step in this direction was a decision to make benefits in the publicly funded scheme (Folkepension) more selective. A series of small reforms introduced means tests for the wealthy and expanded supplementary assistance for poor elderly citizens.60 Second, legislation passed in 1997 turned the small superannuation scheme (ATP) into a contributory social insurance, which will grow and eventually overshadow the Folkepension. By shifting from the generally funded Folkepension to the contributory ATP, reformers hoped to place a natural brake on the growth of pension benefits, as the working population would resist raising contributions. Finally, opportunities for occupational pensions were


approved in 1991, and since their introduction these schemes have mushroomed to cover virtually the entire skilled workforce. As contributory schemes, they forge a direct connection between a citizen’s work history and pension income.

The pension reforms of the 1990s were the product of skillful political maneuvering. Since the early 1980s the bourgeois parties strove to make pensions more contributory but were stopped in their efforts. Toward the end of the 1980s the high-skilled unions embraced the idea of occupational pensions and broke ranks with the rest of the union movement over the issue.61 As the idea became more popular among members of the working class, the Social Democrats resigned themselves to the inevitability of reform and successfully fought to build the ATP into a tool for income redistribution, though its effects in this regard will be more modest than under the old Folkepension.

All these reforms have had distributive consequences in Denmark. Most forms of income assistance are now more targeted. Labor, at least unskilled labor, appears to be in a weaker position than previously. But there were good reasons that labor leaders and other professional organizations agreed to the reforms and even endorsed them. In most cases the reforms were negotiated in corporatist consultation with unions or with professional organizations in a particular field. Herman Schwartz has noted that in almost all cases unions and professionals accepted distributive losses, either because they wished to retain their institutional position (which entailed accepting compromises) or because they were willing to give up distributional issues for nonmaterial gains.62 As an example of the latter, nurses gave up salary demands in exchange for more control over hospital administrative decisions.

In short, the new activation schemes and the reforms of the pension system are changing the face of the Danish welfare state. The trend can best be described as a movement toward a more achievement-oriented, rather than solidaristic, welfare state.63 The idea of collective responsibility is giving way to the view that pension income beyond a minimum floor is the responsibility of an individual and that work is a citizen’s


62 Herman Schwartz, “The Danish Miracle: Luck, Pluck or Stuck?” Comparative Political Studies (forthcoming).

duty. Policy experts, particularly the Social Commission, played a special role in bringing about these reforms. They were instrumental in framing the debate around traditional principles and portraying the more generous aspects of the Danish welfare state to be inconsistent with Danish tradition.

**NETHERLANDS**

As in Denmark, the shifting discourse in Dutch public policy stemmed from dissatisfaction with the “vices” of its welfare system. The major vice was the high level of inactivity in the labor market. In the 1994 parliamentary elections, for example, the huge percentage of citizens receiving some form of social support was touted as evidence of the need to change. Intellectuals, too, shifted the discourse. Kees Schuyt, a sociologist and prolific essayist, coined the term “calculating citizen” to refer to those who sought to maximize their benefits from social programs even if they did not need assistance. The disability program was singled out for the most reproach, because its perverse incentives had given the Netherlands the highest percentage of disabled workers in the world. University students were also criticized for exploiting stipends and tuition assistance, while staying on at university longer to finish their degrees.

Two specific ways policymakers have shifted the discourse involve reframing the ideas of wage restraint and labor market flexibility to make reform more palatable. Wage restraint has a long history, serving as the cornerstone of consensus within corporatist negotiations. And it has been the principle upon which Dutch social insurance programs, the foundation of its welfare state, were built. Wage restraint is good for employers because it contains the increase in one of their costs of production. It is not directly in the interests of workers, but in the postwar period labor leaders accepted wage restraint in exchange for deferred-wage compensation (that is, social insurance). The expansion of the welfare state, particularly programs that provided specific benefits to members of the workforce, such as earnings-related pensions, widow and orphan benefits, vacation allowances, and unemployment insurance, amounted to increases in compensation for work, even if they

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were not directly reflected in wages. Deferred compensation was attractive to workers because it provided income security for the time when they would be unable to continue working (as well as income security for their dependents). Employers preferred deferred compensation to wage increases because most forms of compensation awarded them tax advantages. Pension contributions, for example, could be deducted from corporate profits, whereas wage costs could not. In this way, wage restraint in the postwar period gave rise to the growth of welfare states in the Netherlands, as well as elsewhere in continental Europe.

Today wage restraint is used to justify reforms that reduced the scope of social support. In the 1990s, for example, the government relaxed many mandatory insurance provisions. Sickness allowances were privatized in an effort to discourage frivolous use of the program. Widow and orphan allowances were curtailed sharply, and the wage indexing of benefits was adjusted so low that it is virtually insignificant. In response to these reforms, labor unions used the collective bargaining table to patch the holes the government poked in the safety net. Bringing these social insurance measures to the collective bargaining table, however, had the effect of crowding wages off the table. The result was wage restraint, but it has come at the expense of the level of social security that workers came to expect in the 1970s.

Employers were elated. By conceding union demands for social provisions, they still paid for insurance measures (directly rather than through payroll taxes), but in the process they avoided making concessions on wage demands. The effect of these wage-crowding reforms was wage restraint. Employers and the government praised the positive effects of wage restraint, while unions congratulated themselves for their ability to set the public interest above their class interest. Despite a dramatic privatization of social protection, widespread opposition to the reforms was averted by recasting the idea of wage restraint to make the reforms appear consistent with the Dutch tradition of labor relations. Clearly, the unions were the losers in the fight over social protection, but their willingness to embrace the idea of wage restraint allowed them to put a good face on a bad situation.

As wage restraint took on this new character in the 1990s, policymakers invoked the idea to justify more far-reaching economic reforms. A perfect example is the Wage Restraint Act (Wet op de Loonmatiging), passed by parliament in 1994. The legislation was a Labor Party

67 Teulings, Veen, and Trommel (fn. 14).
68 See Visser and Hemerijck (fn. 5); Rigter et al. (fn. 17).
initiative to expand existing schemes for profit sharing and employee stock options, as well as programs for tax-advantaged savings. Labor was in opposition when the bill was drafted, so to gain the endorsement of the governing Christian Democrats, the bill’s sponsors removed the provisions for promoting profit sharing and expanded the provisions for tax-advantaged savings. Then, to capitalize on the popularity of the idea of wage restraint, they labeled the bill the Wage Restraint Act.\(^69\)

In their justification for the law, the authors argued that programs of tax-advantaged savings would help to dampen wage demands by allowing employers to offer labor compensation outside of normal wages. The savings schemes amount to an increase in nonwage compensation, and employees find them more attractive than wages because the amounts are exempted from income tax and social contributions. Indeed, the real increase is greater than their nominal amount, when the tax advantage is taken into consideration. Like such programs in the United States, these schemes allow employees legal exemptions from some of their social contributions and taxes. Moreover, they are more advantageous for higher-paid employees, who pay taxes at a higher rate.\(^70\)

Wage crowding and nonwage compensation are two mechanisms Dutch policymakers have used to substantially alter labor-market relations. The brilliance of the strategy is that wage restraint, an idea once used to legitimate the expansion of the Dutch welfare state, is now used to justify dramatic curtailments of social protection. The idea of wage restraint still has a powerful legitimizing impact on any reform proposal, and policymakers seek to win acceptance for their reforms by framing their proposals as measures to promote wage restraint.

The other example of reframing is the novel way Dutch officials have recast the idea of flexibility in the labor market. The term stems from what neoliberals criticize as the rigidity of overregulated labor markets. Regulations that limit the hours in the workday and prevent employers from easily dismissing less-productive workers are often blamed for a country’s high level of unemployment and inability to compete in a global market. Flexibility would allow employers to make more productive use of plant and equipment by working evening and weekend shifts, allowing for overtime work to respond to fluctuations in orders, and more readily dismissing workers in times of declining or-

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Unions decry anything that promotes flexibility as a concession of their hard-won industrial rights. In many countries, and especially in Germany, the term polarizes unions and employers, as well as the left and right in the parliament.

A similar debate has waged in the Netherlands, but Dutch policy reformers turned the idea on its head to make deregulation of the labor market more palatable. Here is an example where a contingency led innovative reformers to recast an idea and refocus public attention. The contingency was the increase of women in the workforce and the pressure they began to exert for opportunities to balance work and family. The traditional employment model, which held that workers should have permanent, full-time jobs and regular working hours, discouraged women who were the primary caregivers in their households. As Dutch women began entering the workforce in the 1980s, the tensions between their expectations and those of employers placed pressure on public policy. By 1994 labor-market participation grew to over half of the female workforce and many were taking part-time contracts. But they desired the same rights to pension and social security that historically had been associated with full-time work. Lobbying organizations for women's issues embraced the idea of flexibility and defined it as an opportunity for women to work part time but still gain social security and job tenure. As the popularity of the idea grew, unions boarded the bandwagon and embraced flexibility as a chance for their (mainly male) membership also to opt for part-time work and spend more time with their families. In 1996, for example, business and labor leaders recommended to the government that it adopt measures to promote flexibility and security, coining the term “flexicurity.”

Now the Labor Party has become the chief proponent of this idea of flexicurity, using it to lure the support of working men and women. The new version of flexibility justifies policies such as leave schemes, maternity and paternity leave, dependent-care leave, even sabbatical leave. Flexicurity was given legislative force in 1998, when parliament approved the recommendations of the social partners, thereby giving more social security rights to part-time workers in exchange for fewer regulations on dismissal and probationary periods. Advocates of the new legislation see it as an integration of work, welfare, and care into the idea

72 OECD (fn. 65).
of social citizenship. Flexicurity, therefore, is a positive development for workers, allowing them greater autonomy over their time and greater opportunities to balance the conflicts of work and domestic care.

The idea of flexicurity is another example where substantial reform of the Dutch welfare state has been achieved by recasting an idea to make it into a justification for vigorous reform. Gone is the old “breadwinner” model of a man working full time, earning a large enough salary to support his entire family. Instead, the one-and-a-half jobs model prevails, wherein two domestic partners work thirty hours each per week and share domestic responsibilities. The new model is consistent with a number of expectations. Young women increasingly are interested in pursuing careers but not at the expense of having a family. Young men are less inclined to view their job as the defining characteristic of their persona and wish to spend more time with their families. Flexicurity was used as a novel way to integrate the interests of employers and workers in a way that made big reforms palatable.

Dutch public opinion is closer to the Danish on the issue of reform, but not as decisively supportive as in Denmark. When asked

<table>
<thead>
<tr>
<th>Question: Social security is too costly for society. Benefits should be reduced and contributions should be lowered.</th>
<th>Netherlands</th>
<th>Denmark</th>
<th>Germany (West)</th>
<th>Germany (East)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree Strongly</td>
<td>18.2</td>
<td>14.3</td>
<td>9.9</td>
<td>8.6</td>
</tr>
<tr>
<td>Agree Slightly</td>
<td>23</td>
<td>26.5</td>
<td>19.7</td>
<td>11.8</td>
</tr>
<tr>
<td>Disagree Slightly</td>
<td>31.8</td>
<td>25.4</td>
<td>36.1</td>
<td>32.6</td>
</tr>
<tr>
<td>Disagree Strongly</td>
<td>27</td>
<td>33.9</td>
<td>34.4</td>
<td>47</td>
</tr>
</tbody>
</table>

their opinion of the government’s policy between 1992 and 1998, an increasing number of Dutch believed the government did a good job with social security, and a majority gave the government superior marks for its handling of unemployment. Figures 2 and 3 reproduce the results of these surveys. From the standpoint of this article, the opinion data indicate strongest dissatisfaction with the welfare reform of the early 1990s, a period when slashing benefits was the typical method of welfare reform. But as the government’s priority has shifted away from quantitative cuts toward qualitative reforms designed to encourage work and private savings, public support has grown dramatically. This trend suggests that greater support exists for these qualitative reforms than for simple budget cutting, a finding that supports the social construction of a new vision of the Dutch welfare state. This reconceptualization of the basic ideas that underlie the Dutch welfare state has allowed the center-left governments to carry out some of the most fundamental reforms without appearing to have sold out the postwar vision of an expansive welfare state. These changes came about because welfare reformers in the Netherlands transformed the language of social policy in ways that created broad support for far-reaching reforms. By taking well-entrenched ideas about how the Dutch welfare state operated and recasting them in ways that made big reforms appear to be

Figure 2
Dutch Voters’ Evaluation of Unemployment Policy (%)

consistent with those ideas, Dutch policymakers shaped a path for welfare reform.

**GERMANY**

The German case is more difficult to discuss as it involves the explication of something that did not happen, namely, large-scale reform of the welfare state. Reforms have not taken place, as this analysis will show, because political leaders failed to shape a path for them, and the path-dependent polarization among political actors was therefore allowed to persist. Without a successful construction of a new discourse about the welfare state, the few reforms that have been enacted amount to tinkering with the old system, not reconstructing a new one.

Fundamental criticisms of the welfare state in the early 1980s were widespread and could have fostered change in the social construction of the German welfare state. When Helmut Kohl first came to power in a center-right coalition, he declared a turnabout (*Wende*) in public policy, promising to shift from the state to the market as the central institution for promoting social and economic change. Economic growth, international competitiveness, and improvement in the public budget were announced to be the immediate goals of the policy shift, and they
were to be attained by altering labor-market relations, cutting back on the welfare state, and privatizing more state activities. Yet neither the rhetoric nor the reality of the proposed reforms was as sharp as in other countries with center-right governments (for example, Britain and the U.S.).

Indeed, the left hotly disputed the suggestion that change was necessary. Like most Germans, the left adhered strongly to the postwar idea that the purpose of the welfare state was to provide security against the vagaries of market forces. This idea, which the welfare state had deeply impressed into the value structure of the German population, constituted a formidable path-dependent bias against reform. Overcoming this path dependence would have required political leaders of vision and fresh ideas who were willing to engage in risky strategies to articulate a new set of values for the welfare state. During the 1980s and 1990s, however, Helmut Kohl’s governments showed that they lacked at least the political will to challenge the existing value structure and quite possibly the very ability to think creatively.75

Faced with vigorous opposition, Kohl’s government quickly abandoned the idea of turnabout. To placate moderates, Kohl declared that continuity would be just as important as change and therefore that the major policy objective would be “renewal of the social market economy,” not its dismantling.76 By the election campaign of 1987 the government had abandoned most of its reform rhetoric and was striving instead to make quiet changes in programs that were less politically controversial.

Some changes made in the 1980s worked directly counter to the construction of a new vision of social policy. A 1989 pension reform, for example, did little to alter the basic structure of the program. Indeed, its major effect was to formalize bureaucratic practices that had been accumulating over the previous fifteen years. Passed by parliament only hours before the Berlin Wall fell, the reform did not anticipate the unification of the two Germanies. When it went into effect in 1992, the previously adopted reform bill was simply implemented in the eastern half of the country as well.77 By electing not to reopen the pension debate after unification, German officials chose to continue with a reform that had been negotiated under vastly different circumstances.

76 Borchert (fn. 15), 117–19.
By doing so they missed an opportunity to make dramatic change. Because the pension reform had not been implemented, it could have been adjusted to meet the needs of a unified Germany. Officials chose not to do this because they believed unification posed only a short-term problem. Their reform, by contrast, had been based on long-term demographic projections, and they believed that these long-term trends would be the same in the eastern part of the country. Clearly, policy reformers in Germany saw no imperative for large-scale welfare reform.

Active labor-market policies were another area where reforms worked against a new vision of social policy. Whereas policymakers in Denmark and the Netherlands expanded active labor-market policies in the 1990s as part of their new vision, policymakers in Germany opted to cut the budgets of similar programs. Because active labor-market programs were funded from unemployment insurance taxes, as the burden of the unemployed grew, budget cuts were concentrated on those programs in order to preserve benefits for insured workers. Moreover, cuts in benefits fell harder on groups with weaker attachments to the labor market, such as part-time and younger workers. This, too, discouraged the adoption of new types of program initiatives. By preserving benefits for those who had matured in the system, German leaders expressed a normative preference for the status quo over reform.

By the early 1990s, especially following unification, the lack of fundamental reform in social policy created a new discussion, known as the Standortdebatte—basically a debate over whether German business could still produce goods that could compete on the world market. The welfare state was at the center of the debate, with employers arguing that the highly regulated labor market and steep social insurance taxes discouraged employers from locating in Germany and that high benefits discouraged workers from being more productive. Unions, by contrast, denied the existence of any problem and rejected as absurd the notion that a high-tech employer would locate in Portugal or Greece simply to enjoy lower labor costs. This difference of opinion also led to different interpretations of the country’s high levels of unemployment: employers argued that unemployment proved their point, while unions declared unemployment to be a problem of structural adjustment.

As the number of long-term unemployed workers has increased, new efforts to create active labor-market programs have emerged. The

78 Ibid., 48.
79 Clasen (fn. 27).
80 For a good summary of the positions, see Rolf G. Heinze, Josef Schmid, and Christoph Strünck, Vom Wohlfahrtsstaat zum Wettbewerbsstaat: Arbeitsmarkt- und Sozialpolitik in den 90er Jahren (Opladen: Leske and Budrich, 1999), 65–74.
Alliance for Jobs (Bündnis für Arbeit) is an initiative developed by the Schröder government to foster a consensus between business and labor. The original idea for such a plan was developed in 1995 by the president of the Metal Workers Union. Although the idea received the backing of the Kohl government, it unraveled in 1996 when business and labor leaders disagreed about who should make the first sacrifice.

The initiative was picked up by Schröder during the 1998 election campaign, though he merely used the idea as a slogan and did not give it any substance. When he won the election and attempted to make good on his campaign promise, he found unions and employers still far from consensus. Employers objected to setting job-creation targets, and unions were reluctant to accept wage restraint, even if it came with the promise of new jobs.

In 1999 two new reforms encountered stumbling blocks. One was a proposal to strengthen the work requirements in social assistance, a consequence of a reform adopted in 1996. This reform, which grew out of a promise made by Kohl in the 1994 election campaign, had stagnated in parliament because of opposition in the upper house (Bundesrat), which represents state governments in Germany’s federal structure. States were concerned about the growing number of mandates they had been given without resources to fulfill the new tasks. Moreover, a majority of states were controlled by the social democrats and greens, the opposition parties. The bill proposed to enhance work requirements (Hilfe zur Arbeit), but state governors opposed it because they did not want to be responsible for implementing work requirements, and they succeeded in stalling the legislation. Nonetheless, some welfare-to-work initiatives have been adopted by individual states and in some cities. These initiatives are relatively modest in comparison with the Dutch and Danish reforms, but they could mark the beginning of a grassroots reform of the welfare state.

The second reform in 1999 actually demonstrated a return to old ways. These are short-term, low-wage part-time contracts—“630 deutsche mark jobs”—so called because that is what they pay per month. In 1999 the number of these jobs grew fast, as employers sought to make use of low-wage flexible work contracts. These jobs typically are taken by young people or by people who move in and out


of the workforce frequently. Because they are part-time contracts, the jobs fall outside of normal labor-market regulations; employers do not pay social security taxes, and workers consequently are not eligible for social security benefits. It was a similar development of part-time contracts in the Netherlands that led unions and left-wing politicians to a revised understanding of flexibility in the labor market. But in Germany the government embarked on an effort to regulate this sector of employment by requiring employers to pay social security taxes for these workers and by awarding employment rights to workers on part-time contracts. Thus, the tendency there, unlike in the Netherlands, is to discourage rather than encourage low-wage, part-time labor. The lack of progress on such issues led most observers to predict little progress without a dramatic change in the combative attitudes of the social partners, or a dramatic intervention by a government willing to reform.83

Not only the government and social partners, but the German public, too, is unconvinced that the welfare state needs reforming. Table 2 demonstrates that at the beginning of the 1990s the percentage of Germans who believed reform was necessary was significantly smaller than in Denmark or the Netherlands. Survey data from 1997 indicate little change in this opinion. Figure 4 shows that when asked if they prefer more individual provision to the existing system, less than one-quarter of Germans indicated a desire for change, and two-thirds opposed any change. This survey does not capture any sentiment for a type of reform other than private provision, but given the fact that reforms in most countries involve a greater reliance on private provision, the survey does indicate a lack of support for the types of reform most likely to be on the agenda.

Thus, in contrast to Denmark and the Netherlands, the absence of reform in Germany corresponds to the absence of a new consensus that reform is necessary. Many of the reforms that were enacted worked against development of a new consensus because they sought to preserve the privileges of those more deeply invested in the system at the expense of younger people. The terms of debate in Germany remain much as they have been, and the small reforms that have been enacted followed a path-dependent logic. Consequently, they have had no effect on the social construction of the German welfare state.

But in 2000 the political momentum appeared to shift in favor of reform. Although the year brought no welfare reform in the strict sense,

83 Theisen (fn. 26).
an important tax reform and a proposal to expand private pension savings reflected a shift in the language about the welfare state and introduced new ideas that may prove to be the foundation for future reform.

The first breakthrough, passed in the summer of 2000, was a tax reform whose major effects were to cut corporate and income tax rates. This reform had been in the works for years. Kohl had proposed similar reforms that failed due to parliamentary opposition. Schröder’s government kept the issue alive and pushed a new bill through parliament, but the opposition Christian Democrats, who controlled the upper house (Bundesrat) of parliament threatened to stop the reforms on the grounds that they did not go far enough in cutting taxes. To gain the support of the upper house, extra tax advantages for small and medium enterprises were added to the package, and extra money was offered to state governments. More dramatic was the language used by the government in justifying the reform—as a way to improve German competitiveness. With the passage of the measure, the idea of competitiveness

84 “The Chancellor Gets His Deal,” Economist (July 22, 2000), 47.
might return as a theme in discussions of other areas of welfare reform. Now, in contrast to the *Standortdebatte* of the 1990s, measures that enhance competitiveness can be presented in a positive light. This will weaken the arguments of reform opponents, who previously portrayed competitiveness as a mean-spirited justification for abandoning welfare security.

The second major initiative in 2000 was a discussion about pension reform. The government initiated the discussion by floating a proposal to expand opportunities for private savings. Arguing that demographic changes make the future of the state pension system insecure, the government has proposed committing twenty billion deutsche marks to enable people to build private pension funds. The mechanism for this reform will be a tax advantage for private pension savings. As in the Netherlands, the idea is to shift more responsibility for pension savings to the individual, thereby relieving fiscal pressure on the state. It is important to note that the government is framing its reform as a means to ensure greater pension security, and in the process it depicts the existing state scheme as financially insecure. Because the idea of security is so central to the purpose of the German welfare state, labor unions discovered during the *Standortdebatte* that depicting reforms as promoting insecurity is a surefire way to undermine their viability. The Schröder government has learned this lesson and has used it creatively to portray the status quo as a prescription for insecurity. It is yet to be seen if this new effort at reframing the issue will be successful, but if the Dutch and Danish experiences are any guide, it is a step in the direction of reform.

**CONCLUSIONS**

Welfare reform occurs at differential rates. Explaining why some countries have moved faster than others has challenged scholars to abandon the conventional wisdom and explore novel aspects of the policy process. The role of ideas in particular has gained greater attention. Social constructivism has developed as a school of thought committed to explicating the way ideas are developed, disseminated, and implemented as public policies. This article has applied the approach to the study of welfare reform.

The specific problem was the differential experiences of Denmark, the Netherlands, and Germany. Due to their historical similarities, one might expect these countries to have similar experiences in welfare re-

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form. Or, if account were taken of their differences, the universalistic welfare state in Denmark should have developed differently from the more similar Dutch and German systems. Instead, Denmark and the Netherlands adopted major reform, with Germany appearing to be the laggard. The explanation for this lies in the ability of Dutch and Danish policymakers and the public to construct a new discourse that facilitated reform and the failure of Germans to do so. By carefully framing issues, Dutch and Danish leaders overcame the path-dependent constraints of existing policy institutions. Consequently, they were able to shape a new path toward reform. A comparison of the experiences points to a number of lessons for both would-be reformers and scholars wishing to study the social construction of reform in other countries or policy contexts.

In Denmark, ironically, history and tradition were employed as an important justification for change. The Social Commission, the expert committee that developed the recent reforms in Denmark, framed a growing critique of the Danish welfare state. Public dissatisfaction with tax evasion and the rise of egoistic behavior had become widespread. The Social Commission propelled this critique in a positive direction. In a novel recasting of the terms of debate, the commission implied that the moral foundation of the postwar welfare state was inconsistent with Danish values; moreover, it reached back into Danish history to make the claim that work had a stronger place in the country’s value structure—that it was rediscovering lost values. In this way the commission was able to sell reform as a Danish invention and not some imported Anglo-American liberalism.

The Dutch strategy was different. Rather than seeking out lost values that the postwar expansion of the welfare state had masked, Dutch opinion leaders took the postwar principles and stretched them into justifications for new reforms. Thus, wage restraint, which once was invoked to support the expansion of social security schemes, now served to justify untaxed forms of wage compensation. Where in the first instance the result was welfare state growth, in the second instance the same principle accelerated a privatization of welfare functions.

The Dutch welfare state is also built on an ethic of caring. The Dutch term *verzorgingsstaat* translates into English as caring state, not welfare state. Thus when women entered the workforce in large numbers, their claim that they needed assistance to continue caring for their families drew on a well-established principle. This allowed policy entrepreneurs to reconstruct the idea of labor-market flexibility, transforming it from an issue that polarized labor and employers into a
principle justifying more innovative labor contracts and allowing men and women equally to care for their families (flexicurity).

Though both countries reformed, they followed different sequences. In Denmark the shaping of a new discourse largely preceded major reforms, and the shift in discourse paved the way for enactment of the reforms. In the Netherlands, by contrast, various incremental reforms were introduced first, and only after the fact did policymakers devise ways to fit them into the existing value structure. In both cases, the new framing of issues helped to reshape the preferences of both political actors and the general public. Danes and Dutch entered the 1990s desiring some reform of the welfare state, and by the end of the decade the desire had grown in both countries.

This difference in sequencing has theoretical significance. For conventional institutional analyses, the question of timing and sequence becomes important for understanding why one country cannot duplicate the path of another. But when greater account is taken of the possibility of political actors engaging in path shaping, questions of sequencing and timing become empirical matters. Indeed, in both cases the sequence was more dialogic than linear, with a mutually reinforcing shift in discourse and development of new policy. Recognizing the importance of path shaping enriches the institutional analysis.

Indeed, the need to reform is an idea that has a historical dimension. The Eurobarometer study indicates that public opinion at the beginning of the 1990s was more supportive of reform in Denmark and the Netherlands than in Germany, suggesting that Dutch and Danish leaders entered the decade with more room for maneuver. Historical experiences may explain these differences. The 1980s, as a decade of budget cuts and public discussion in the Netherlands and Denmark, may have laid the groundwork for the more fundamental reforms of the 1990s.

But Germany remained different. A similar reconstruction of the welfare discourse failed because opinion leaders used provocative language to justify budget cuts rather than trying to shape a path for reform. International competitiveness, the principle central to the Standortdebatte, is not the principle on which the German welfare state was founded. To be sure, many observers have attributed Germany's strong international position to its well-compensated workforce, but

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this was the effect of the welfare state, not its cause. Because enhancing competitiveness is a concept alien to the construction of the German welfare state, it does not offer a legitimate basis for welfare reform. Therefore, suggesting that German workers must give up security in order to become competitive proved to be a nonstarter.

Path shaping requires rhetorical strategies that connect new proposals to an existing value structure. If German employers can demonstrate how flexibility can help to preserve the security of German workers, they will find greater acceptance for their reform proposals. This requires more creative value connections, but as the events of 2000 demonstrated, it is not impossible. The Schröder government appears to have employed some effective path-shaping strategies to win tax reform and is well on the way to developing political support for pension reform. Moreover, the Danish and Dutch cases demonstrate that the sequence is not as important as the ingenuity of policymakers. Together, the three cases demonstrate that welfare reform is more a struggle over the identity of a society than over the size of the public budget. Reform proposals that do not invoke an accepted idea of legitimacy stand little chance of success, while a sense of legitimacy can facilitate truly dramatic change.