Party politics as we knew it? Failure to dominate government, intraparty dynamics and welfare reforms in continental Europe
Korthouwer, G.H.P.

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Party Politics as We Knew It? is an investigation of welfare state reforms in Austria, Germany and the Netherlands from the early 1980s to 2006. In the post-World War II era, social democrats and Christian democrats played a central role in building and expanding welfare states. This book argues that these parties still have room for policy choices but, especially since the 1990s, choices are different than predicted and explained by current dominant theories on the politics of welfare state reform. Their main weakness seems to be that they fail to pay attention to changes of dominant coalitions within social democratic and Christian democratic parties. Against a background of contextual challenges (fiscal austerity and changing constituencies), the catalyst for such internal change is a situation of failure to dominate government.
Party Politics as We Knew It?
Failure to Dominate Government, Intraparty Dynamics and Welfare
Reforms in Continental Europe
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PARTY POLITICS AS WE KNEW IT?

FAILURE TO DOMINATE GOVERNMENT, INTRAPARTY DYNAMICS AND WELFARE REFORMS IN CONTINENTAL EUROPE.

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Promotiecommissie

Promotor: Prof. dr. B. Kittel
Co-promotor: Prof. dr. H.G. de Gier

Overige leden: Prof. dr. J.W. de Beus
Prof. dr. A.C. Hemerijck
Prof. dr. G.R.D. Underhill
Prof. dr. J. Visser
Prof. dr. J. Zeitlin

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Abbreviations

ARP Anti-Revolutionaire Partij: Anti-Revolutionary Party (Dutch party, mainly appealing to Orthodox Reformed)

BAK Bundesarbeiterkammer: Federal Chamber of Labor (Austria)

BDA Bundesvereinigung der deutschen Arbeitgeberverbände: Main German business confederation

CDA Christen Democratisch Appèl: Christian Democratic Appeal (Netherlands)

CDA Christlich Demokratische Arbeitnehmerschaft: Christian democratic employees’ organization of the CDU

CDU Christlich Demokratische Union: Christian Democratic Union (Germany)

CHU Christelijk-Historische Unie: Christian Historical Union (Dutch party, mainly appealing to Dutch Reformed)

CNV Christelijk Nationaal Vakverbond: Christian Trade union association (Dutch, mainly appealing to Protestants)

CSU Christlich Soziale Union: Christian Social Union (Bavaria)

DGB Deutsche Gewerkschaftsbund: Main German trade union confederation

DP Die Presse (Austrian newspaper)

DS Der Standard (Austrian newspaper)

D66 Democrats 66: Dutch social-liberal party

EMU Economic Monetary Union

EU European Union

FAZ Frankfurter Allgemeine Zeitung (German newspaper)

FDP Freihe Demokratische Partei: Free Democratic Party (German liberal party)

FNV Federatie Nederlandse Vakbeweging: Main Dutch trade Union federation (after NVV-NKV merger in 1976)

FPÖ Freiheitliche Partei Österreichs: Austrian Freedom Party (radical right populist)

FSG Fraktion Sozialdemokratische Gewerkschafter: Social democratic trade union fraction (Austria)

GÖD Gewerkschaft Öffentlicher Dienst: Austrian trade union for civil servants

GPA Gewerkschaft Private Angestellten: Austrian trade union for private sector employees

KVP Katholieke Volkspartij: Catholic People’s Party (Dutch)

NCW Nederlandse Christelijke Werkgeversbond: Dutch Christian Employer association

NKV Nederlands Katholiek Vakverbond: Dutch Catholic Trade Union association
NRC  NRC Handelsblad (Dutch newspaper)
NVV  Nederlands Verbond van Vakverenigingen: Dutch Trade union association (socialist)
ÖAAB  Österreichische Arbeiter und Angestellten Bund: Christian democratic employees’ organization (of the ÖVP)
ÖGB  Österreichische Gewerkschaftsbund: Main Austrian trade union confederation
OMC  Open Method of Coordination
ÖVP  Österreichische Volkspartei: Austrian People’s Party (Christian democratic)
PK  Parlamentskorrespondenz (digital archive of Austrian parliamentary debates)
PvdA  Partij van de Arbeid: Dutch Labor Party (social democratic)
SPD  Sozialistische Partei Deutschlands: German Socialist Party (social democratic)
SPÖ  Sozialistische Partei Österreichs: Austrian Socialist Party (social democratic)
SZ  Süddeutsche Zeitung (German newspaper)
VNO  Verbond van Nederlandse Ondernemingen: Dutch Employer Association
VNO-NCW  Main Dutch business confederation (after VNO-NCW merger in 1996)
VÖI  Vereinigung Österreichischer Industrieller: Federation of Austrian Industry
VK  Volkskrant (Dutch newspaper)
VVD  Volkspartij voor Vrijheid en Democratie: People’s party for Freedom and Democracy (Dutch liberal party)
WB  Wirtschaftsbund: Christian democratic business organization (of the ÖVP)
WKÖ  Wirtschaftskammer Österreichs: Austrian Economic Chamber
1 Introduction

1.1 The Question

What is “left” for the left? And what is “right” for the right? Amongst voters, policy makers and academia alike, these questions have increasingly become a matter of debate with respect to the welfare state, a key component of Europe’s advanced economies. The gloomy picture painted by recent economic developments, demographic changes and new labor market risks related to employability and childbirth ensures that a major stress test lies ahead for political parties in shaping welfare reform. Currently, power resources theory and the new politics thesis probably are the most well developed and influential explanations of the role of political parties in reforming welfare states.

Power resources theorists have argued that it is fruitful to view welfare states as outcomes of, and arenas for, conflicts between class-related socio-economic interest groups and political parties (Korpi 1983; Esping-Andersen 1985). The central theme is that working and middle class groups primarily rely on their labor power within trade unions and large, cohesive social democratic and Christian democratic parties to press for social protection against markets. In Scandinavia, large labor movements, in combination with a hegemonic social democratic party have generated generous, universal welfare states. In continental Europe, dominant Christian democratic parties have developed generous welfare states which support male breadwinners and housewives with transfers (Esping-Andersen 1990; Van Kersbergen 1995). Finally, the Anglo-Saxon countries typically lacked strong social democratic or Christian democratic parties at critical junctures in time, and are characterized by minimalistic welfare states relying on means-testing. Once established, however, policy lock in reinforced long periods of institutional stasis and stability. Deeply entrenched differences in institutional design, logic of delivery, modes of financing, social protection generosity and labor market policy activism, led Esping-Andersen to conjecture that the ‘inherent logic of our three welfare state regimes seems to reproduce itself’ (Esping-Andersen 1999: 165). Over the 1990s, comparative research in the tradition of power resource theory turned to identifying the role of political parties in explaining patterns of path dependent resilience and divergence in a context
of austerity and post-industrial social change (Iversen and Wren 1998; Levy 1999; Korpi and Palme 2003; Allan and Scruggs 2004).

By contrast, Pierson’s new politics thesis poses that social democratic and Christian democratic parties no longer play a central role in welfare state politics because they have been superseded by powerful new client-based groups. Central to Pierson’s analysis is that reform is difficult because of policy lock in effects generated by the expansion of past social policy commitments. Once instituted, particularly, the big, expensive, welfare programs such as health-related income transfers and old-age pensions develop support bases in addition to those groups that supported their original enactment. Whereas economic and demographic constraints have increasingly curtailed the capacity of social democratic and Christian democratic parties to expand social policies, the popularity of current schemes has seriously reduced the abilities of liberal parties to pursue retrenchment efforts. In spite of the “irresistible forces” calling for change, from economic globalization to ageing, Pierson argues that it is practically impossible to turn a policy preference for retrenchment of mature welfare states into an attractive electoral strategy, under the condition of ‘permanent austerity’ (Pierson 2001). Following this line of thought, many scholars have observed a politics of “blame avoidance”, hiding and dispersing the costs of retrenchment, in which cuts can take place only through incremental and surreptitious mechanisms or during moments of extraordinary fiscal stress and political consensus (Clayton and Pontussen 1998; Huber and Stephens 2001; Kenworthy 2004).

So do parties still matter? If we turn to the evidence provided by macro-comparative quantitative studies that focus on the period since the late 1970s, the answers vary between yes (Korpi and Palme 2003; Allan and Scruggs 2004) and no (Huber and Stephens 2001; Kittel and Obinger 2003). These findings are puzzling since they either point at the explanatory relevance of, respectively, power resources theory and the new politics thesis, or they suggest that current macro-comparative quantitative accounts do a poor job in identifying partisan effects.

At first glance, describing some recent reforms only adds to this confusion. Reform may be difficult, but it happens. Moreover, it increasingly happens in ways which go against the expectations of power resource theorists. For instance, power resources theory has taught us that social democratic parties promote a generous and
universal welfare state. Yet, in Germany, a social democratic-green coalition opted for major pension cuts and even initiated a partial privatization in 2001. Under its Christian democratic-liberal predecessor, by contrast, the basic structure of the German welfare state was frozen from 1982 to 1998. Indeed, one may point at Christian democrats favoring generous transfers, a key aspect of Christian democratic social thought. However, in Austria, a Christian democratic-populist right government implemented large pension cuts pensions in 2003, including a partial privatization. To add complexity, a Dutch coalition between Christian democrats and liberals already went down the road of severe retrenchment in the early 1980s.

Developments in family policy are also confusing. Here, power resources theory leads us to expect that social democrats implement arrangements supporting working mothers while Christian democrats encourage women to stay at home and care for children and spouse. Until the early 2000s, this is indeed the case in Austria, Germany and the Netherlands. However, this no longer holds for Christian democrats in the Netherlands and Germany since 2002 and 2005, respectively. In Austria, by contrast, Christian democrats continue to embrace the traditional family ideal as late as 2008.

1.2 Outline of the Argument

The aim of this book is to shed light on the role of social democracy and Christian democracy in reforming welfare states in continental Europe. Despite their differences, the power resources approach and the new politics thesis assume that welfare states are subject to path dependent processes. In addition, both schools of thought assume that public preferences set the agenda for welfare policies, implying a passive response of elected representatives to their core constituents. Politicians and policy makers prioritize the issues about which the public cares most and they try to match their proposals to public preferences. Furthermore, both camps believe that social policies aim at improving the relative position of one segment of society, itself regarded as internally fairly homogeneous. Accordingly, the population is subdivided into categories defined by class, religion or the median voter. Last but not least, a central premise is that both view political parties as unitary actors with the corollary of preference homogeneity among politicians.
Advances in the theory of political parties, however, suggest that so simple a model is bound to be unsatisfactory to analyze the role of parties in a significantly fragmented and heterogeneous society. Theoretical work on party organizations has long argued that, as Katz and Mair put it, ‘a party is itself a political system…politics is endlessly played out, with different coalitions of forces and actors striving for dominance’ (Katz and Mair 1992: 6, their emphasis). In the process, new dominant coalitions may change decision-making rules and policy proposals (Harmel et al 1995; Mulé 2001).

Drawing on these insights, this book bridges theories on party organizations with theories on parties’ social policy preferences. It deepens our understanding of parties and welfare state change by systematically tracing the making and breaking of internal coalitions, each with its own agenda, as the driving force behind reforms of pensions and family policy. I argue that in devising new welfare approaches political parties continue to matter, but increasingly in different ways than suggested by power resource theory. However, the establishment of new policy approaches cannot be understood without paying attention to how actors must make sense of the world. It is here where the literature on ideas and social learning comes into play. In his famous phrase, highlighting his social learning perspective, Heclo (1974) posed that politics is as much a matter of ‘puzzling’ what to do in complex policy environments, as it is a matter of ‘powering’ among competing interests. For the intraparty groups analyzed here, diagnosing the nature and magnitude of problem loads, setting priorities, and identifying potentially effective solutions is the product of puzzling, while skilfully rallying political and societal support for selecting particular solutions falls in the jurisdiction of powering.

In chapter 2, the theoretical framework, I pose that - across time, space and policy domain - different groups may become dominant within social democratic and Christian democratic parties. Against a background of contextual challenges (fiscal austerity and changing constituencies), the catalyst is an external shock which causes a party to reevaluate its effectiveness in meeting its primary goal. For a social democratic and a Christian democratic party, failure to dominate government is the most potent external stimulus. In a subsequent process of organizational change, the new coalition will replace the group of politicians supporting the dislodged leadership and modify a party’s internal decision rules to consolidate its own power. This enables the party to pursue new approaches to welfare reform in line with its
politicians’ policy preferences. The latter are a matter of powering and puzzling. Accordingly, “social democracy” and “Christian democracy” mean different things across space, time and policy domain. As soon as we ignore this, findings about parties and welfare reform are misleading at best or plainly wrong.

Figure 1.1 The Argument

In pension politics, I identify more pragmatic and more traditional groups within both social democratic and Christian democratic parties. Pragmatists include business-oriented politicians and employer associations but, as we shall see, also some trade unionists. Pragmatists are defined here as politicians who are willing to seek new solutions to cope with welfare austerity, including market options and retrenchment (Kitschelt 1994: 219-220). This is justified by referring to the (future) pension crisis. Here, economic and demographic pressures as well as inherent design faults in the pension system (e.g. early pensions) are argued to undermine the long-run financial sustainability of pension provision. Reform proposals involve abolishing early retirement and encouraging workers to participate in the labor market as long as possible. Furthermore, pension deficits are to be avoided by retrenching benefits rather than increasing contributions. In addition, employees are encouraged to take personal responsibility for their pensions. Accordingly, voluntary and occupational pensions are encouraged (Ney 2004: 31-2).

By contrast, traditionalists defend existing social security arrangements and its core institutions to protect workers from the uncertainties of the marketplace. This group can most readily be identified with unionized blue collar constituents and its intraparty representatives who are often members and representatives of trade unions (Kitschelt 1994: 220). While acknowledging that demographic and socio-economic
changes challenge existing public pensions, traditionalists see no necessity to abandon what has become the institutional backbone of societies. Furthermore, the growth of atypical employment, widespread mobility and increasingly common discontinuous employment records will require more rather than less social benefits. Instead of retrenching (early) pensions, revenues should be increased by expanding coverage and modestly increasing contribution rates. Moreover, investments in old age education and training schemes are required to combat unemployment. Finally, reforms need to remove income inequalities between different occupational groups by retrenching relatively privileged groups (Ney 2004: 32).

The distinction between traditionalists and pragmatists stands at the base of the two propositions below on pensions. These will be explored in the empirical chapters. As to the contextual challenges highlighted by these propositions, austerity is a catchword for economic, demographic and fiscal pressures on the welfare state. Since the second half of the 1970s, economic growth has slowed down, societies are greying and unemployment has risen. For Europe’s advanced welfare states, this spectre of austerity has intensified in light of Economic Monetary Integration (EMU). To turn to de-industrialization, this term refers to a decrease in the number of people employed in industry. Finally, secularization stands for a decline in adherence to religious beliefs.

Social Democracy: Against a background of austerity and de-industrialization, failure to dominate government is the catalyst triggering a coalition of pragmatists to become dominant within their party.

Christian Democracy: Against a background of austerity and secularization, failure to dominate government is the catalyst triggering a coalition of pragmatists to become dominant within their party.

In family policy, the core dividing line between pro-welfare groups has been the division between those oriented towards working women and those promoting the traditional family ideal. I suggest to label these groups equal right supporters and famialists, respectively. Equal right supporters do not distinguish between “good” and “bad” ways of raising children. Instead, they are particularly concerned with advocating gender equality in terms of equal access to social and professional
positions for both sexes, which includes an equal sharing of power and responsibility in the household. Although many, if not all, social democrats in principle share this orientation, feminist women’s groups and individual politicians (usually women) stand at the forefront. Policy proposals involve public child care, parental leave for women with paid work and transfers for children of lower income groups.

Famialists perceive the traditional family as the preferable way to raise children. They reflect the interests of women who identify primarily as care givers in a traditional family. At the very least, women should be enabled to choose whether to raise their children themselves or not. As such, they advocate social policies that reward care-giving activities regardless of employment status. Though most Christian democrats are receptive to this agenda, religious groups, religiously inspired women’s organizations and individual politicians (often but certainly not always men) are the most vehement internal supporters. Policy responses include promoting universal parental leave, tax advantages for parents without paid labor and child raising credits in pension insurance rights.

Considering the fact that supporting equal rights has been one of the key social democratic policy values since at least the early 1970s, the distinction between equal right supporters and famialists stands at the base of the following proposition on Christian democracy. Please note that women’s emancipation is understood here in terms of both increases in female employment rates and decreases in a population’s support for the male breadwinner-female housewife model.

Against a background of secularization and women’s emancipation, failure to dominate government is the catalyst triggering a coalition of equal right supporters to become dominant within a Christian democratic party.

Chapter 3 sets up a research design to test and substantiate the argument. In developing the research design, I consistently pay attention to measurement problems of existing research on welfare reform with specific attention for macro-comparative quantitative studies. The preferred methodological route for this research, comparative case studies through detailed, systematic process-tracing, by no means resolves all these difficulties and surely not completely. However, it does provide a way to gauge the plausibility of conjectures. Therefore, in the first section, I highlight the value of small-n research in general and process-tracing in particular. Afterwards,
in respective order, I turn to country selection, the choice of welfare state programs, 
the choice of time period and the operationalization of welfare reforms.

I opt for a most similar systems design. The study focuses on Austria, 
Germany and the Netherlands to hold a number of potential explanatory variables for 
the extent and direction of reform relatively constant. Notably, the countries face the 
double challenge of low female labor market participation and early exit, are 
governed by coalition governments, have party systems with strong Christian 
democratic and social democratic parties, have longstanding corporatist traditions and 
they are all members of the Economic Monetary Union.

One of the concerns guiding this study is the relevance of investigating reform 
processes over longer periods of time. Throughout the period from the early 1980s to 
2006, the research attempts to trace the links between possible causes and observed 
outcomes. Some have labeled this a period of ‘neo-liberal times’ (Glyn 2001). This 
suggests that neo-liberalism has become the dominant political view within social 
democracy and Christian democracy.

Measurement problems of aggregate social expenditure are addressed in two 
ways. For one, I compare pensions and family policy, since aggregate data may mask 
differences in specific policy domains. Pierson’s new politics thesis, which is based 
upon path dependency of big transfer schemes, may not be as relevant in much 
smaller areas like family policy. Moreover, the research pays specific attention to 
policy developments at the individual level of entitlements. This lies at the heart of 
the welfare state, but is not captured by aggregate data.

Chapter 4 provides an overview of contextual challenges faced by social 
democrats and Christian democrats in our three countries. The focus is upon de-
industrialization, secularization and women’s emancipation, since austerity is outlined 
in the previous chapter when discussing the comparability of problem loads. Regards 
contextual challenges in pension politics, Dutch parties were ahead in time in coping 
with a situation of austerity (since the late 1970s), de-industrialization and 
secularization. Moreover, Dutch parties were facing more severe austerity until the 
late 1980s, and Dutch society remains more de-industrialized and secularized than the 
German and Austrian societies. Accordingly, pragmatists are likely to become 
dominant in the Netherlands first, if anywhere. As to family policy, both 
secularization and women’s emancipation occurred at a slow pace and too a much 
lesser degree in Austria than in the other countries. In other words, Austrian Christian
democracy (the ÖVP) faced smaller contextual challenges in family policy. As such, familialists are likely to remain dominant in the ÖVP, if anywhere.

Chapter 5 analyzes if the political struggles over the introduction, expansion and reform of pensions and family policy actually look alike. The comparative historical analysis of welfare’s golden age (the period from 1945 to 1975) shows that our parties behaved in line with power resources theory. However, it also points at the important role of women’s mobilization for social democrats in shedding their rather familialistic views on women and the family.

After the golden age, the power resources school sheds quite some light on pension reform in Austria until the early 2000s. However, this is to a much lesser extent the case in the Netherlands where Christian democrats already went down the road of severe retrenchment in the early 1980s. Most strikingly, German social democrats have expanded pensions from 1998 to late 1999. However, they have subsequently implemented a more market-liberal reform agenda than their Christian-liberal predecessors had done since 1982. In family policy, the picture is different. Here, power resources theory does a good job in explaining the direction of reform. Moreover, it continues to do so in Austria. However, the power resources camp no longer explains family politics in the Netherlands and Germany since 2002 and 2005, respectively.

Chapter 6 starts out to examine the previous chapter’s puzzling findings, through the lens of detailed historical process-tracing. I find that the initially very moderate change in German pension policy under the Christian-liberal government can to a large degree be explained by the strong position of Christian democratic traditionalists, notably the employee wing. Between the early 1990s and 1998, the position of traditionalists weakened against a background of declining economic conditions and increased secularization. Nonetheless, the social minister, a key representative of the Christian employee organization, managed to prevent more severe pension cuts as demanded by the liberals, radicalizing employers’ associations, the Christian business wing and other Christian democrats with pragmatic orientations. Despite worsening economic conditions and de-industrialization, the social democratic-green coalition pursued a rather traditional reform agenda until the left within social democracy was quickly marginalized after the party opted for an office-seeking strategy in 1998. Since then, the party has implemented rather market-liberal pension reforms.
The historical analysis of German family policy in chapter 7 shows that, until 2005, parties matter along ways predicted by the power resources school. However, against a background of secularization and increased women’s emancipation, government exclusion from 1998 to 2005 triggered a profound change of Christian democratic politicians. Once the party returned to office, a dominant coalition supported equal rights rather than the traditional family ideal.

Chapter 8 turns to Dutch pension reforms. In comparison to Austria and Germany, Dutch parties were facing more severe austerity until the late 1980s, and Dutch society remains more de-industrialized and secularized than the German and Austrian societies. Secularization caused a large decline in the vote-share of the confessional parties from the late 1960s on and led to fear amongst denominational politicians to lose their dominant position in office. This triggered the merger into the CDA in 1980, a party with a marginalized traditionalist wing. Austerity reinforced the ability for pragmatists to push through pension cuts in a coalition with the liberals from 1982 to 1989. In response to the by then pivotal position of Christian democracy in the Dutch party system, pragmatic politicians also came to dominate the social democratic party after the party – with the exception of nine months in the early 1980s - had been excluded from office since 1977.

The subsequent chapter shows that it took Dutch Christian democrats quite a long time to say farewell to familialism. Like in Germany, power resources theory explains family policy until the early 2000s. However, the Christian democratic party found itself in a sudden phase of identity seeking after it lost office in 1994. Once the party returned to office in 2002, a dominant coalition was much more oriented towards working mothers than before.

Chapter 10 analyzes why the power resource approach sheds quite some light on Austrian pension reforms until 1996, and why it lost much of its relevance since 2000 in particular. The social democratic party led coalitions from 1983 to 1999. It formed a government with the Christian democrats between 1987 and 1999. As late as 1995, unionists in both parties managed to block pension reforms, despite a context of intensified austerity. Afterwards, we witness a reinforced trend of a weakening of influence of trade unionists within the two parties at the expense of more liberal and business-oriented politicians. This trend was strongest within the ÖVP where the business league became the dominant faction, and accelerated when the former chairman of the business league became party leader in 1995 – after the ÖVP had
undergone strenuous debates over how to improve the “dismal situation” of a hardly visible minority party in government. From 2000 to 2006, the ÖVP formed a government with the populist party (FPÖ). Despite protests from the Christian democratic employees’ wing and the populist party, the responsible ÖVP government members managed to steer reforms in a market-liberal direction. Although the Christian democratic employees’ wing had no representatives in government, it did manage to flex its moderate muscles together with the FPÖ. Standing stronger together, they were able to delay some cuts and to achieve some compensations.

Chapter 11, the final empirical chapter, outlines that familialists have remained dominant in the ÖVP by 2008. I argue that this is mainly due to the fact that secularization and women’s emancipation occurred at a slow pace and too a small degree in comparison to Germany and the Netherlands. Leading politicians within both the FPÖ and the ÖVP embraced the traditional family ideal by the late 1990s, a political course that appealed to Austria’s large share of Catholics in particular, but also helped the ÖVP to become the pivotal party in the Austrian party system. Accordingly, the change in government from a social democratic-led grand coalition to the ÖVP-FPÖ government in 2000 implied a much stronger orientation towards familialism, despite increasing fiscal austerity.

1.3 Theoretical Contributions

In the conclusion, I review the material presented in an explicitly comparative perspective. Here, the chief interest lies in answering the question if and how inter- and intraparty dynamics had an impact on the course of change in continental welfare states. My study is unique, as I have integrated a theory of what explains the different policy trajectories of continental welfare states since the early 1980s with a theory of how inter- and intraparty dynamics have influenced these trajectories at different stages over a quarter of a century. Jointly, the findings contain plenty of relations to many literatures in political science, most of them at the intersection of comparative welfare state politics and competitive party behavior, and therefore defying easy categorization. Yet, it is helpful here to sketch the different contributions that this book may make to ongoing debates in different parts of the field. To this end, I have organized the following brief overview into three parts: explanations of welfare state
change, theories of party organizations and party behavior, and the literature on ideas and social learning.

With respect to explanations of welfare state reform, this book supports and criticizes the power resources school and the new politics thesis. The study supports power resources theory by providing comparative historical evidence for the importance of social democrats and Christian democrats in establishing and, for long periods, maintaining generous pension schemes. It also highlights that the power resources camp does a particularly good job in explaining family policy and continues to do so in Austria. On the other hand, pensions rather than family policy offer a primary example of the popularity and the associated political costs of welfare reform as stressed by the new politics perspective. The new politics thesis has clearly been important for the limited retrenchment in pensions in Austria and Germany until the mid-1990s. Moreover, it helps to explain the lack of pension reforms in the Netherlands in the second half of the 1990s.

While power resources theory and the new politics thesis have thus yielded important insights in explaining welfare state change in our countries, both cannot explain the large number of pension reforms and fail to account for institutional path-departures which are becoming more common from the late 1990s on. In response to this challenge, viewing governing parties as miniature political systems opens new avenues to analyzing the role of political parties in explaining welfare state reform. If intraparty groups are important in shaping welfare state reform, existing models of the policy process that are commonly employed to explain reform require substantial revisions. The findings of this study thus hold important implications for comparative welfare state research.

This book contributes to theories on party organizations by making them relevant for social policy and showing that changes in dominant coalition composition take place against a background of specific contextual challenges which are necessary, though not sufficient, conditions. In pension politics, austerity is a necessary condition for pragmatists to become dominant within social democratic and Christian democratic parties. The same applies for de-industrialization in the case of social democracy and for secularization in the case of Christian democracy. In family policy, both women’s emancipation and secularization are necessary conditions for equal right supporters to become dominant within a Christian democratic party.
However, the book highlights that, at least for the social democratic and Christian democratic parties analyzed here, the catalyst for change has to be understood in the light of performance as regards participation in government. An electoral defeat was condoned if the party remains able to dominate government. As such, this book nuances the prevailing expectation that electoral defeat is the primary mechanism triggering party change. Rather, failure to dominate office triggers the discrediting of the old dominant coalition, the formation of new alliances and the replacement of the leading group. As the new dominant coalition attempts to strengthen its internal position via organizational restructuring, I also support the current literature on party organizations which finds that established parties have become more centralized. Furthermore, it has become a matter of debate whether a more centralized party structure makes it easier to participate in government. The findings indicate that this is indeed the case, but also confirm that a centralized organization lacks the mechanisms necessary to adjust dissent among its members. In sum, the book contributes to theoretical work on party behavior by showing that elites in the parties analyzed here are concerned with seeking power in their own party and maximizing government participation. Yet, I concur with the majority of policy-oriented coalition theory that parties seek office, at least partly, as a means to influence policy.

As such, party elites have puzzled about how to return to government and how to reform the welfare state. I find some clear-cut cases of misinformation and misperception. It is here where this book supports and enriches theories on ideas and social learning. Contextual challenges critically inform policy reform, both constraining certain policy responses, while opening up others. To be sure, these challenges do not instruct party elites under conditions of high levels of uncertainty over their relative weights, intensity and scope. Rather, contextual challenges inform purposive and deliberate policy responses, which are shaped by the normative predispositions of key policy actors and their cognitive interpretations of evolving social and economic conditions. But also by power distributions inside and outside a political party, and the presence or absence of vested organized interests. Thus, ultimately, political action and political choice matter for the distributive outcomes of state policy, albeit within the boundaries set by contextual challenges. This will be further illuminated by pointing out that European integration provides policy opportunities for pragmatists and equal right supporters, and by suggesting some policy recommendations that help to reform welfare states in a socially acceptable, economically viable and politically feasible manner.
2 Parties as Policy Choice-Makers

This chapter outlines a theoretical framework attempting to improve our understanding of welfare state reform in Western Europe. The first section reviews the literature on parties in welfare’s golden age and ends by outlining three partisan ideal types. The second section provides the main reasons why parties are expected to matter increasingly less, if at all. In the third, I discuss why much of the current literature on parties on welfare reform leaves unexplained why parties have implemented reforms that increasingly diverge from predetermined paths. Drawing on theories on party organizations and social learning, I argue that this is largely a consequence of wrongly assuming unitary actors with stable preferences. We are likely to get a more adequate understanding of party behavior if we look outside and inside parties, and take reflexive actors seriously. Therefore, section four sets up a theoretical framework that incorporates inter- and intraparty dynamics against a background of contextual challenges.

2.1 Party Politics as We Knew It?

Many studies have suggested that the political power of social democratic parties, Christian democratic parties and trade unions played an important role in founding and expanding the welfare state (Korpi 1983; Esping-Andersen 1985; Van Kersbergen 1995). Table 2.1 portrays three ideal-type social policy values and instruments. The table builds upon power resource theory, the dominant and most well-developed focus on the role of parties during the golden age of the welfare state. Based on the three ideal types, the empirical chapters will analyze whether this literature sheds light on reforms of pensions and family policy.

The first ideal type is called social democratic because the core values comprise earnings equality and, in family policy, equality of opportunity for individual family members (Giddens 1998: 8-11; Powell 2004: 15). Here, equality of opportunity refers to enabling people to enhance their incomes via labor market participation. The ideal type ‘combines a strong egalitarian ethos with a work ethic that emphasizes employment as the root of collective identity and pride. Although social democratic parties, initially rising with the growth of a predominately male blue-collar workforce, only very gradually shed their traditionalist views on women
and the family, modern social democratic parties have everywhere come to recognize women as equal partners in the social democratic project for solidarity and employment for all’ (Iversen and Wren 1998: 515). Therefore, social democratic parties promote the individual capabilities of family members via social services. Moreover, state intervention via universal transfers and social services is perceived as a necessary tool to achieve the goals of earnings equality, equality of opportunity for women and high employment.

The core values of the second model include status maintenance and supporting the traditional family as an institution (Van Kersbergen 1995). Status maintenance and stratification are defined here as retaining traditional status relations, be it in favor of a strict income hierarchy, corporatism or of the nuclear family (Esping-Andersen 1990: 54). This model has its origins in Christian democratic thought. The role of the state is perceived as follows: ‘The ideal state is a welfare state. Its responsibilities consist in defining and enforcing the responsibility of others – individuals or social groups rather than providing services itself’. … An institutional commitment to full employment, for instance, is at odds with the tenet of the enforcement of “self-responsibility” (Van Kersbergen 1995: 181 in Seeleib-Kaiser et al. 2005: 7). Hence, Christian democratic ideology can best be described by the relatively strong emphasis on responsibilities versus rights as well as on the family and other social groups vis-à-vis society. Social service provision is ideally via the family, that is, the housewife. Social insurance entitlements are derived from employment of the male breadwinner and committed to a preservation of status differentials within the lifecourse. For one, the Catholic subsidiarity principle has institutionalized familism in the sense of supporting male breadwinners and housewives throughout their life courses with generous transfers. High employment levels are a relatively low priority, since this is largely perceived as the responsibility of the social partners, and women are encouraged to stay at home and care for children and spouse (Van Kersbergen 1995; Esping-Andersen 1996; Iversen and Wren 1998: 515; Seeleib-Kaiser et al. 2005: 7).

The third ideal type is labelled neoliberal because its core value is equality of opportunity (Gamble 2004: 15). ‘Ideologically, this model is grounded in a belief that freely operating markets are inherently welfare maximizing, whereas state involvement in the economy leads to a misallocation of resources. The neoliberal
ideology is combined with a work ethic that underscores self-reliance through active labor market participation, while market wages are seen to reflect the contribution of individuals to overall welfare’ (Iversen and Wren 1998: 514). Hence, equality of opportunity is linked to the goals of budgetary restraint and private sector employment. As to policy instruments, low transfers and low social services are in principle only provided on a means-tested basis for the most disadvantaged citizens (Seeleib-Kaiser et al. 2005: 7). Moreover, in its pure form, neo-liberalism is based on the idea ‘that policies interfering with the free operation of markets, with the exception of a few important public goods such as law and order, threaten the pursuit of individual liberty’ (Iversen and Wren 1998: 514). Accordingly, family policy is largely perceived as a private matter.

Table 2.1 Ideal Social Policy Values and Instruments of Political Parties

<table>
<thead>
<tr>
<th>Policy values</th>
<th>Social Democracy</th>
<th>Christian Democracy</th>
<th>Neoliberalism</th>
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<td>Policy instruments</td>
<td>Central and comprehensive role of the state</td>
<td>State secondary to social partners and the family</td>
<td>Rudimentary role of the state</td>
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<td></td>
<td>High transfers and high services</td>
<td>High transfers and low services</td>
<td>Low transfers and low services</td>
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<td></td>
<td>Universal social rights</td>
<td>Status-based entitlements</td>
<td>Means-tested entitlements</td>
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<td>Income equality</td>
<td>Maintain status differences</td>
<td>Equality of opportunity</td>
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<td>Full employment</td>
<td>Full employment for male breadwinners</td>
<td>Full employment</td>
<td></td>
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<tr>
<td>Equality of opportunity for individual family members</td>
<td>Support the traditional family as an institution</td>
<td>Family as a private matter</td>
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2.2 Why Parties Matter Less and Less

Until the mid-1970s, the post-war development of European welfare states took place under highly favorable circumstances, aided by a ‘golden age’ of high economic growth in economies characterized by four key factors: Keynesian macro-economic management, stable nuclear families, large stable industrial sectors, and coalitions of working and middle class groups (Taylor-Gooby 2004; Hemerijck forthcoming).

First, at the level of the international political economy, governments were able to manage their national economies through Keynesian demand policies which achieved low unemployment and secure wages. The post-war consensus to achieve economic growth, full employment for male bread-winners and social protection was supported by the regime of “embedded liberalism” (Ruggie 1982). Central to this regime, next to trade barriers and capital controls, was the Bretton Woods monetary system of stable exchange rates. This gave national policy makers a large degree of freedom to pursue relatively independent social and employment policies without undermining social and economic stability.

Second, social protection was coupled to stable nuclear family structures. Women were expected to care for young children, the elderly and other dependent groups. Accordingly, at least until the late 1960s, the post war welfare state very much consolidated the conventional family structure rather than caused it to fade into insignificance. Indeed, breadwinner job security of males with dedicated housewives allowed welfare state responsibilities could be kept at bay (Esping-Andersen 1996).

Third, Fordist patterns of employment in large stable industrial sectors very much consolidated the traditional gender-relationship of male bread-winner and female housewives. At least until the late 1960s, Christian democrats and social democrats together with organized capital and labor implicitly relied on the maintenance of conventional family patterns. Consequently, trade union strategies and support were defined in terms of the Fordist employment relationship of skilled, full-time and male employment in the industrial sector, excluding women. In sum, social protection was coupled to the traditional family structures and the Fordist employment relationship.
Finally, coalitions of working and middle class groups pressed for the provision of welfare benefits that plagued their generation, particularly those related to old age, sickness, disability and unemployment. Probably the most influential explanations focusing on the expansion of the post-war welfare state have argued that it is fruitful to view welfare states as outcomes of, and arenas for, conflicts between class-related socio-economic interest groups and political parties (Korpi 1983; Esping-Andersen 1985; Van Kersbergen 1995). Traditionally, working and middle class groups were relatively disadvantaged in terms of economic resources and primarily relied on their labor power within trade-union based social democratic parties and multi-class Christian democratic parties to press for social protection against markets.

Social, Economic and Political Challenges

Nowadays, the picture of the golden age no longer holds. Each of the four enabling factors of the golden age has not only been replaced by a set of daunting challenges, but we must also pay attention to the increasingly important role of European integration. At the international level, in the first place, Scharpf and Schmidt (2000) contend that economic globalization is challenging the redistributive scope of the national welfare state. The virtuous Keynesian interplay between social and economic regulations was suddenly brought to an end by the breakup of the Bretton Woods system in 1971 and the OPEC oil price increase of 1973. In the wake of the many recessions that followed, it became increasingly difficult for mature welfare states to deliver on their Keynesian commitments of full employment and social protection.

Several important changes in the international political economy have been held accountable for welfare reform across Europe (Scharpf and Schmidt 2000; Huber and Stephens 2001; Begg et al 2008). To start with, the increase in transnational competition in the markets for labor, goods and services has substantially reduced the room for maneuver of national policy makers. Greater trade openness, it is claimed, exposes generous welfare states to competition and permits capital to move to countries with the lowest payroll taxes for social security. Further, internationalization of production, especially the creation of a single European market, is held to increase
dangers of lower tax revenue, because countries need to compete for investment by making concessions on taxes, payrolls and corporate profits. Finally, since the mid-1980s the liberalization of capital markets in general and the EMU in particular undermined the capacity of governments to use macro-economic policy instruments to achieve employment growth. This further extended the need for fiscal austerity in social policy.

However, there is no compelling evidence that economic globalization is necessarily leading to a “race to the bottom” in European welfare states. Although income inequalities have risen somewhat in many countries since the mid-1980s, there is no (or only weak) evidence that this development has been triggered by globalization. Neither did globalization constrain social spending in general. Instead, it tended to inhibit financial transfers somewhat while stimulating active labor market policies. The conclusion to draw is that where inequality is rising, it can be attributed to either political choices or inappropriate responses to more fundamental socio-economic changes (Begg et al 2008). This brings us to our second challenge for contemporary European welfare states.

Whereas social protection was coupled to stable nuclear family structures in welfare’s golden age, we currently witness a shift from an industrial to the service economy coupled with the mass entry of women to the labor market. The “standard employment relationship” is currently eroding, and with it systems of social security in event of redundancy and (early) retirement that depended on full-time and permanent employment contracts for men as family breadwinners. According to Esping-Andersen (2002), the most important reason why the existing systems of social care have become overstretched stems from the emergence of post-industrial social risks due to the weakening of labor markets and family households as traditional welfare providers. As to weakened labor markets, the service sector is less likely to provide well-paid and secure employment to youth and low-skilled workers. This is understandable since service productivity grows slower than in industry, making it more difficult to sustain high wage growth. In addition, fiercer competition stimulated by economic globalization has promoted labor market flexibility. Yet, some lack the knowledge requirements for an adequately paid and secure job. Others have obsolete skills and education levels, and are unable to upgrade them through life-long learning (Taylor-Gooby 2004). The corresponding fall in demand for low skilled
work is associated with growing income inequalities, high unemployment and intensified labor market segmentation, at the expense of some ethnic minorities, women and elderly workers.

If we wish to further understand post-industrial social risks, a focus upon changed female behavior is crucial. Women have entered the labor market in great numbers since the late 1960s, exactly at the moment when male employment in industry was falling. With the steady increase of women’s labor force participation, traditional breadwinner social insurance is gradually becoming dysfunctional. The immediate impact of the growing number of dual-earner families is the combined pressure of paid and unpaid working time, especially among women. Studies show that post-industrial social risks confront most acutely lower skilled women who find it particularly difficult to balance work and family responsibilities. Apart from emancipatory reasons, it has virtually become an economic necessity for women to seek paid work as two earners are most likely to maintain a decent family income. At the same time, women continue to provide most domestic care. This responsibility limits the number of hours available for paid work. Accordingly, poverty rates are particularly high among lone mothers (Taylor-Gooby 2004).

Traditional care patterns also impact on fertility rates. Women seeking paid work generate a demand for provision from men, the private sector and the state. The lack of such provisions has been claimed to be an important reason why fertility rates in Scandinavia are amongst the highest in Europe (Esping-Andersen and Sarasa 2002). Esping-Andersen has even posed that population ageing is primarily an issue of drops in fertility (1999: 3). In its turn, the rise of absolute and relative numbers of retirees also has implications for women – who still spent most domestic time caring for elderly dependants – and accordingly spurs the demand for health services.

Post-industrial social risks and population ageing also have implications for class structure and the political structure associated with it. Nowadays, the distribution of social risks varies by social class, gender and age. This contrasts sharply with the less diversified coalitions of working and middle class groups pressing for the provision of welfare benefits in the golden age. Some pose that working-class, trade-union-based social democratic parties face a difficult trade-off between representing the interests of a declining working class, middle class groups and a growing group of people in atypical employment relationships (Esping-
Andersen 1999; Moschonas 2001). Instead, Christian democratic parties have historically had a multi-class character and have had to mediate relatively heterogeneous (or even diverging) social policy interests. Most notably, they had to incorporate wage earner and employer interests alike. However, Van Kersbergen (1995, 1999) argues that the politics of mediating all groups has become increasingly difficult, if not impossible in an age of austerity.

This brings us to another challenge to European welfare states. In his fascinating work, Pierson (1994, 1996, 2001) has convincingly argued that advanced welfare states are currently surrounded by an *fiscally austere climate*. Compared to the golden age, economic growth has slowed down, societies are greying and unemployment has risen. This has considerably reduced the room for maneuver in several ways. Unemployment, for instance, spurs demands on the welfare state and, at the same time, reduces people’s contributions. Furthermore, the overall decline in economic growth reduces tax incomes and makes it more difficult to raise taxes for welfare expenditure. In addition, advanced welfare states have “grown to limits” (Flora, 1986). The maturation of welfare commitments, policies put in place to cater after industrial social risks, now seem to crowd out and overload the available policy space for effective policy responses in especially social services under conditions of low economic growth (Pierson 1998, 2001).

This spectre of austerity is likely to intensify in the face of population ageing. Social expenditure per aged person clearly is much higher than expenditure per young person. Even when adjusted for the relative size of elderly and non-elderly populations, direct social expenditure for the elderly was six up to thirty (!) times higher than spending on the non-elderly across Western European countries between 1985 and 2000. These figures also make it clear that countries do vary in the emphasis they place on aiding their elderly versus non-elderly through public welfare policies. In particular, it is worth noting that the most youth-oriented welfare states belong to the Nordic and Anglo Saxon countries, while the most elderly-oriented-oriented countries can be found in Continental and Southern Europe (Lynch 2005).

As such, the situation of continental and southern European welfare states appears most precarious. To use Esping-Andersen’s illuminating metaphor, these welfare states find themselves in a negative spiral of ‘welfare without work’. The prevalence of Christian familialism encouraging women to stay home rather than to
participate in the labor market, has induced a high family wage to male breadwinners. High wages, in turn, have reduced employment creation, especially in the area of low-productivity services. Aggravating matters, industrial restructuring in the 1970s and 1980s was accommodated through a major expansion of early retirement schemes, establishing expensive pension commitments to generations of relatively young, inactive employees. Hence, these countries face a particularly difficult dilemma between retrenching generous benefits for elderly male breadwinners and expanding policies that reconcile work and family life (Esping-Andersen 1996).

Generally, however, relatively little welfare state reform seems to have been implemented thus far. Probably the two most influential account of welfare states’ resilience to change are Esping-Andersen’s work on welfare state regimes (1990, 1996, 1999) and Pierson’s new politics perspective (1994, 1996, 2001). Both scholars draw on “path dependency” and “new institutionalism” to argue that, once instituted, welfare states are difficult to reform. In line with other power resource theorists, Esping-Andersen’s central theme is that working and middle class groups have historically relied primarily on their labor power within trade unions and large, cohesive social democratic and Christian democratic parties to press for social protection against markets. However, deeply entrenched differences in institutional design, logic of delivery, modes of financing, social protection generosity and labor market policy activism has triggered the inherent logic of welfare state regimes to reproduce itself (Esping-Andersen 1999: 165). Accordingly, comparative research in the tradition of power resource theory turned to identifying the role of political parties in explaining patterns of path dependent resilience and divergence in a context of austerity and post-industrial social change (Iversen and Wren 1998; Levy 1999; Korpi and Palme 2003; Allan and Scruggs 2004).

By contrast, Pierson’s new politics thesis poses that social democratic and Christian democratic parties no longer play a central role in welfare state politics because they have been superseded by powerful new client-based groups. Above all, big, expensive, welfare programs like health-related income transfers and old-age pensions develop support bases in addition to those groups that supported their original enactment. While economic and demographic constraints have increasingly curtailed the capacity of social democratic and Christian democratic parties to expand social policies, political constraints have seriously reduced the abilities of liberal
parties to retrench welfare entitlements. Accordingly, a new logic of politics is responsible for the remarkable resilience of the welfare state since the late 1970s. This logic is driven by a politics of “blame avoidance” that has hindered politicians from retrenching the welfare state, given that such policies lead to electoral defeats. Politicians seeking office or re-election refrain from retrenchment or, at best, pursue strategies of retrenchment by stealth. Indeed, several recent cross-national studies have found little evidence of partisan effects since the late 1970s (Castles 1998; Huber and Stephens 2001) or the early 1990s (Kittel and Obinger 2003; Pontusson and Kwon 2003).

Some have argued that the political challenges posed by austerity are amplified by legislative institutions. Following Streeck and Thelen (2005: 10), institutions are defined here as ‘formalized rules that may be enforced by calling upon a third party’. The central “institutionalist” claim is that some aspect of group or national institutions has implications for the power, preferences, and political interaction of various groups in the polity fighting over welfare policies. The often hidden claim is that institutions can have such effects without themselves being reduced to the ever-changing demands of various social actors. Institutional arguments usually focus on macro-institutions in the sense of veto points, i.e. ‘instances in the policy making process at which a suitable coalition of actors can prevent the adoption of a given piece of legislation’ (Bonoli 2001: 238). With regard to welfare state expansion, there is an unusual degree of consensus that multiple veto points have been an important impedement (Huber et al. 1993; Kittel et al. 2000; Swank 2002). The underlying logic is that a dispersion of power weakens the bargaining power of pro-welfare state coalitions. However, such a logic is less straightforward in the case of retrenchment, since a concentration of power may facilitate cutbacks, but it also concentrates blame (Pierson 1994: 164).

Because the section below attempts to shed some light on this issue, I will now turn to the European Union as another complex, veto prone and influential system of governance. Two modus operandi of EU social and economic policy coordination impinge on national social policy. First, there is binding legislation. Examples include directives and rulings of the European Court of Justice (ECJ). The role of Europe in this regard has obviously increased over time due to the combined effect of earlier and recently legislated European laws. Since the 1980s, advances in economic integration
prompted the introduction of direct or indirect constraints on national social policy. The Maastricht Treaty of 1992 made such constraints very explicit by agreeing upon the establishment of an Economic Monetary Union (EMU) and setting up convergence criteria which limited governments’ abilities to run deficits. After the EMU was established on January 1, 1999, the convergence criteria continue to exert influence via the Stability and Growth Pact. On the other hand, Ferrera (2005) shows that many of the ECJ’s recent rulings have been devoted to employment protection, gender equality, and to the extension of rights to social assistance and other non-contributory benefits to EU citizens. As a consequence, quite some directives and rulings of the ECJ exist in the field of family policy. However, this applies only to those components which are linked to paid work, like parental leave and return to work guarantees. With respect to pensions, the EU mainly restricts national sovereignty by displacing national laws on private pensions that hinder the unfolding of the single market.

Furthermore, in its role as an agenda setter, EU institutions can help diagnose fundamental challenges and identify potential policy solutions. Many “softer” forms of cooperation and coordination have recently emerged, including the so-called open method of coordination (OMC) and the macro-economic dialogue. Rather than requiring strict adherence, these forms of governance are aimed at promoting cognitive and normative harmonization. To the extent that this is the case, we should witness a narrowing of partisan differences and reform convergence. As to our policy domains, the European Employment Strategy (EES) deserves attention in particular.

The EES was developed in the wake of the Amsterdam Treaty from November 1997. It was built on four pillars: employability, entrepreneurship, adaptability and equal opportunities. While in principle all these pillars were supposed to be of equal importance, the focal point of the EES clearly was the employability pillar. This was the only one with quantified targets which were aimed at activating the unemployed. In March 2000, the Lisbon Strategy further developed the EES by equipping it with additional quantified targets – to be reached by 2010 – like an overall European employment rate of 70 percent and an employment rate for women of over 60 percent. Subsequently, the European Council introduced a 50 percent employment target for older employees aged 55-64 in March 2001. Furthermore, Lisbon also envisioned the OMC to be used in additional policy domains, comprising social inclusion, pensions and healthcare (Weishaupt 2008: 144-67). Yet, as pensions and health care constitute by far the largest expenditure items of any European welfare state, pension reform has
also been high on the agenda of EU finance ministers’ meetings in recent years (Clasen 2005: 193; Obinger et al. 2005: 20). With respect to both early retirement and family policy, the EES launched some quantifiable targets in April 2003. Notably, by 2010, an increase of the effective average exit age from the labor market from 60 to 65 is aimed for at the EU level. At the same time, childcare is envisioned to be provided to at least 33 percent of children under 3 years of age and at least 90 percent of children between 3 years and the mandatory school age (Weishaupt 2008: 167-8).

2.3 Why We Need New Insights on Parties and Welfare Reform

Without question Pierson’s new politics thesis and power resource theory have massively advanced the analysis of comparative welfare state development. We are now much more aware, for instance, how much inherited policies constrain political parties in pursuing welfare reform. Nonetheless, reform does happen. Boeri (2001) counted nearly 200 reforms in pensions, unemployment benefits, and employment protection across Western Europe from 1985 to 1995. Moreover, many reforms enacted over the last three decades, especially since the late 1990s, have not merely reinforced predetermined paths (Hemerijck 2005; Stiller 2007; Weishaupt 2008). This suggests that there is a need for more dynamic accounts of how politicians may seek to reform the welfare state against a background of changing contexts.

The strength of the recent literature on European social policy precisely is its recognition of the increasingly important role of the EU. Today’s reforms have been argued to take place in a context in which European welfare states have become ‘semi-sovereign’ (Leibfried and Pierson 2000). Indeed, there is no question that we need to take European integration very seriously. However, we also need to be aware that virtually all studies on social and employment policy confirm that, at least in these politically very sensitive fields, the domestic arena remains the primary arena. Moreover, to the extent that the EU plays a role, we also need to know whether or not national governments, individual politicians and interest groups were in favor of a specific type of European legislation.

Like binding legislation, agenda-setting is a two-way process, requiring the involvement of interest groups, politicians, bureaucrats and experts at the domestic level and at the EU level. Both can provide opportunities to bypass national political
stalemate or joint decision traps by arguing that ‘Europe made us do it’. The Lisbon strategy, for instance, was launched during a rather unique gathering of nearly exclusively social democratic governments – in office in 11 out of the 15 member states, including the big three: Great Britain, France and Germany. Relatedly, Visser argues that actors are very selective in what they learn from Europe and use “soft” law as catalysts or ‘selective amplifiers’ for national reform strategies, increasing the salience and urgency of particular issues and policy approaches, which may already have been familiar domestically, at least among certain actors (Visser 2005). Though an extensive analysis of such dynamics is beyond the scope of this book, I will address them when tracing the reform process in our policy fields. But because policies have to be implemented by national politicians my focus is at the national level.

At the national level, some insist on a “state-centric” approach. These scholars focus on the policy-making role of civil servants and policy advisors, who are assumed to be relatively autonomous from political parties, and have been ascribed the responsibility for the design of major laws and for getting these accepted by governments (Heclo 1974; Weir et al. 1988). There is indeed no doubt that the actual text of much social policy legislation is written by civil servants and that policy advisors play a crucial role in the policy making process. As such, it is certainly necessary to identify to whom political leaders turn for crucial information and advice on a given type of policy problem (cf. George and Bennett 2005: 100). But this is a much more modest claim and advocates of the “state-centric” approach have to explain why the borrowing took the particular form it did. Answers to that question can only come from consideration of the political selection process. As such, I concur with Huber and Stephens that it is difficult to foresee in what direction civil servants and policy advisors should push policy. Furthermore, structural conditions (political cleavages, partisan composition of government and systems of political decision making) considerably constrain the range of policies that bureaucrats and policy advisors are able to suggest. Moreover, when civil servants and policy advisors consistently suggest policies that are outside the parameters set by structural conditions, they are ignored and, if they persist, their careers might even be at stake (Huber and Stephens 2001: 21).
Theoretically, Tsebelis’ account of veto players provides the link between partisan composition of government, the structure of political decision making and public policy dynamics. According to Tsebelis (2002), a veto player is an individual or collective actor whose agreement is necessary for a change of policies. The potential for policy change decreases when the number of veto players increases, their ideological distance increases and their internal cohesion decreases. Veto players are specified in a country by the constitution (bicameralism, referendums and constitutional courts) or by the political system (the different parties that are members of a coalition government). Several authors have indeed argued that it is relevant to inquire empirically the role and involvement of veto actors rather than merely identifying the policy constraining influence of veto points (Huber et al 1993; Obinger et al 2005). Yet, no attention is paid to internal party groups as internal veto players. Instead, Tsebelis prefers to use the rather vague concept of internal cohesion while it remains unclear which groups, how many groups and how they can influence policy within a certain policy domain.

Others have focused exclusively on party system configurations. Kitschelt (2001) argues that an electoral system with weak liberals, strong Christian democrats and strong social democrats leaves little room for these traditional pro-welfare state parties to embrace social policy retrenchment. Because of the weakness of liberalism, only these parties can effectively push retrenchment. Yet, the respective ruling party runs the risk of having to pay a heavy electoral price to a credible and powerful alternative protector of the welfare state.

In line with power resource theory and Pierson’s new politics thesis, however, Kitschelt implicitly assumes unitary actors with the corollary of preference homogeneity amongst politicians. In other words, these theories assume that all politicians in Christian democratic and social democratic parties will shy away from retrenchment, and leave undiscussed whether and, if so, why parties implement reforms that diverge from their expectation of stable preferences. Though the understanding of parties and welfare development has gone a long way forward, something has been neglected by these scholars: namely the awareness that whatever else parties are, they are not unitary actors and that the analysis of interparty dynamics must therefore be complemented with intraparty dynamics. Adopting a notion first put forward by Sartori in 1976, theoretical work on party organizations has long argued that, as Katz and Mair put it, ‘a party is itself a political system…politics is endlessly
played out, with different coalitions of forces and actors striving for dominance’ (Katz and Mair 1992: 6, emphasis in original). Accordingly, Sartori reminds us ‘that the outer moves of a party – the inter-party competition – are also a function of its inner moves, that is, of intra-party competition’ (Sartori 1976: 346-7). It follows that ‘there is little we can understand and discuss as long as the assumption remains that the party underworld is all alike, all made of one and the same stuff’ (ibid: 106). Indeed, we may get a much more adequate understanding of party behavior by disaggregating parties analytically and looking both outside and inside these “black boxes” (Müller and Strom 1999: 12).

Moreover, Mulé (2001) criticized scholarly work on the party-policy link for assuming a passive response of elected representatives to their core constituents. Such work, including power resources theory and the new politics thesis, assumes that politicians and policy makers prioritize the issues about which the public cares most and they try to match their proposals to public preferences. Furthermore, both the power resources approach and the new politics thesis believe that social policies aim at improving the relative position of one segment of society, itself regarded as internally fairly homogeneous. Accordingly, the population is subdivided into categories defined by class, religion or the median voter. However, advances in the theory of political parties the literature on party goals, party competition and party organization, suggest that so simple a model is bound to be unsatisfactory to analyze the role of parties in a significantly fragmented and heterogeneous society.

Instead, Mulé, in her analysis of the role of parties in reforming transfer programs in Anglo-Saxon countries, convincingly shows that conceiving of parties as complex organizations where different groups engage in bargaining and conflict provides an altogether richer and more suggestive account. Drawing on similar strands of the literature, Harmel and his collaborators have also posed that struggles between rival groups may ultimately result in changes in the party’s organization and/or direction (Harmel et al 1995). Though not building on the literature on party organizations and party goals, recent studies do indeed increasingly highlight the role of intraparty conflicts and bargaining in shaping welfare state reform¹.

¹ To my knowledge, the following studies highlight the role of intraparty groups in developing social policy. As to Central and Eastern European welfare state reform, see Inglot (2008) and Haggard and Kaufman (2008). For a comparison of welfare state reform in Germany and Great Britain, see Clasen (2005). For an analysis of pension retrenchment in Austria, France, Germany, Italy and Sweden, see Schludi (2005). For a study on the development of family policy and the role of social democratic
The awareness that new dominant groups may change policy proposals and, hence, that policy preferences are unlikely to be stable brings us to another problem of much of the literature on parties and welfare reform. This becomes even more problematic once we add that the literature on party organizations assume reflective actors. Even in response to environmental trends, party actors’ creativity and the situation in which they are at a certain point in time become crucial elements in searching for desirable and appropriate forms of party change. Such change is linked to performance on official or on personnel/organizational goals – which effectively cleared the way (Harmel 2002). Furthermore, it is assumed that actors are boundedly rational. As Panebianco puts it, ‘organizational change is the fruit of both choices and because of the actor’s bounded rationality and the multiplicity of organizational pressures, unforeseeable effects’ (Panebianco 1988: 241-2).

What strikes me is that social learning theories and the role of ideas literature - a family of theories on policy making – also assume reflective, boundedly rational agency. Abiding by Simon’s (1957) notion of bounded rationality, social learning theories describe a world too complex for actors to achieve the sort of global maxima postulated by simple rational choice theory. Policy actors are incapable to predict the future, cannot consider all the alternatives and cannot have all the information. There may thus be great uncertainty about the most appropriate means to an end. Moreover, there are all kinds of institutional decision-biases, like time limits to procedures of deliberation and accountability.

In addition, all social learning theories highlight reflexive actors. They are reflexive insofar as they can envision alternative processes and outcomes in response to changing social, economic and political contexts (Whitford 2002; Hemerijck forthcoming). These design alternatives not only depend on interests, but to be politically palatable they also need to match actors’ cognitive and normative orientations (Scharpf 1997; Weishaupt 2008). Cognitive orientations are causal propositions about the world which involve a ‘programmatic set of statements about cause and effect relationships and a method for influencing those relationships’ (Weir women’s movements, see Huber and Stephens (2001). For a comparison of social democratic approaches to labor market policy in Austria, Germany and the United Kingdom, see Feigl-Heihs (2004). For an analysis of the 2003 pension reform in Austria, see Dachs (2004). Notably, quite some studies take into account intraparty groups when focusing on big, expensive German welfare state programs. On the Christian-liberal government (1982-1998), see Zohlnhöfer (2001a,b,c). On the coalition of social democrats and Greens (1998-2005), see Egle et al. (2003), Hering (2004), Trampusch (2005) and Egle and Zohlnhöfer (2007).
1992 in Hemerijck forthcoming). Normative orientations are ‘preferences for what the world should be like and fall in the jurisdiction of principled beliefs and legitimization of what is to be done’ (Hemerijck forthcoming).

To summarize, the establishment of new policy approaches cannot be understood without paying attention to how actors must make sense of the world. It is here where the literature on ideas and social learning contributes to my argument. Hugh Heclo (1974) was the first to point at the importance of ideas in welfare state development. He viewed the fundamental transformation from targeted poor relief in the late 19th century to universal social insurance in 20th century as a political learning process. In his famous phrase, highlighting his social learning perspective, Heclo posed that politics is as much a matter of ‘puzzling’ what to do in complex policy environments, as it is a matter of ‘powering’ among competing interests. Relatedly, Scharpf (1984) has criticized power resources theory for focusing solely on the political strength of pro-welfare parties and trade unions while omitting the strategic choice and intellectual components of policy change and institutional change of the policy process. Indeed, I concur with both authors that such an attempt is bound to miss out on understanding socio-economic policy change simply because it is based upon a theoretically incomplete model of the underlying real-world processes. Furthermore, I take their claims as pleas for considering the influence from both interests and ideas instead of treating them as rival explanations. As Stiller eloquently puts it, ‘to ask whether either interests or ideas are the chief determinants of policy outcomes may be a misleading way of addressing the issue, because it neglects the possibility that the interaction between the two is what counts’ (Stiller 2007: 32).

Building on these insights and the literature on party organizations, we may by now start wondering why most studies on parties and welfare reform assume unitary actors with stable preferences. Why have we been so slow to look inside the objects of our interest? According to Mulé (1997: 501), this is because ‘we have been in the habit of using readily available evidence, such as vote shares (Lawson 1990: 107). Factional politics would be brought into sharper focus if attention were given to the historical evolution of the choice situation’. But still it is remarkable that all this occurred just as it has become increasingly difficult for social democratic and
Christian democratic parties to appease relatively heterogeneous or even diverging social policy interests in an age of austerity, de-industrialization and secularization².

It appears most remarkable in the case of Christian democratic parties. To quote Van Kersbergen, ‘although factions have been characteristic of political parties more generally, the scope of social and other groups covered and the degree of institutionalisation and recognition of factions has been a unique feature of European Christian democracy. This factionalisation, the representation of possibly opposed interests within the parties and the established links with various affiliated social social organisations have confronted with the obvious difficulty of how to appease conflicting groups’ (Van Kersbergen 1995: 29). Most notably, under unfavourable economic and demographic conditions, Christian democratic parties have increasing difficulties in mediating trade unions’ and employers’ interests alike (Van Kersbergen 1995, 1999).

Because of its traditionally multi-class character, a Christian democratic party may find it less difficult to abandon Keynesian full-employment, social policies than a working-class, trade-union-based social democratic party (Stephens et al 1999: 167). Nonetheless, Schludi has argued that we can discern tendencies of increasing conflicts between social democrats with a traditional social democratic orientation in social policy, including many trade unionists, and more pragmatic, office-seeking leaders trying to move the party towards the political centre so that it will occupy a more pivotal position in the electoral system (Schludi 2005: 70).

2.4 Bridging Theories on Party Organizations and Parties’ Social Policy Preferences

Both the literature on party organizations and the literature on parties’ social policy preferences are obviously interested in political parties³. Strangely enough, the two can be considered theory islands. As such, the subsequent endeavour can be seen as an attempt to bridge these islands.

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² Another reason is that social scientists from various disciplines perceive organizations mainly as unstable coalitions of interest groups that determine goals through negotiating. Such a perspective has, for instance, been highlighted in the case of social movements (Della Porta and Diani 2006: 135-62).
³ For an excellent overview of the literature on party organizational change, see Harmel (2002).
2.4.1 Identifying Groups Within Traditional Pro-Welfare Parties

In order to get a more adequate understanding of the role of parties than offered by current dominant theories in welfare state research, I distinguish several groups within both social democratic and Christian democratic parties. Building on Heclo’s (1974) insights on social learning, these groups need to puzzle, understood here as diagnosing the nature and magnitude of problem loads, setting priorities, and identifying potentially effective solutions. Furthermore, intraparty groups need to power by skilfully rallying political and societal support for selecting particular solutions.

In pension politics, I identify more pragmatic and more traditional groups within both social democratic and Christian democratic parties. The term pragmatists is derived from an impressive study by Kitschelt (1994). The study focused on the electoral strategies that social democratic parties have adopted to meet fiscal austerity and de-industrialization in nine major European democracies from the 1970s to the late 1980s. At the heart of the analysis lies a model of political preference change and a theory of party competition that includes the interaction between parties in the party system and groups within social democratic parties. One intraparty group involves the so-called pragmatists who are willing to seek new solutions to cope with welfare austerity, including market options and retrenchment. According to Kitschelt, this group includes business-oriented politicians and employer associations, but we shall see that it also involves some trade unionists.

As emphasized by Ney, the debate about pension reform takes place within an imbalanced discursive policy space. Different actors tell different stories about pension reform. Each policy story identifies distinct problem loads and suggests divergent solutions for pension reform. Though Ney focused on collective actors within the Austrian social policy community, one can extend it to groups within both social democratic and Christian democratic parties. For instance, Ney posed that one group of actors – a group we have just labeled pragmatists - is willing to expand market options and retrench public pensions. Policy solutions are justified by referring to the (future) pension crisis. Here, economic and demographic pressures a well as inherent design faults in the pension system (e.g. early pensions) are argued to undermine the long-run financial sustainability of pension provision. Reform
proposals involve abolishing early retirement and encouraging workers to participate in the labor market as long as possible. Furthermore, pension deficits are to be avoided by retrenching benefits rather than increasing contributions. In addition, employees are encouraged to take personal responsibility for their pensions. Accordingly, voluntary and occupational pensions are encouraged (Ney 2004: 31-2).

By contrast, traditionalists defend existing social security arrangements and its core institutions to protect workers from the uncertainties of the marketplace. This group can most readily be identified with unionized blue collar constituents and its intraparty representatives who are often members and representatives of trade unions (Kitschelt 1994: 220). While acknowledging that demographic and socio-economic changes challenge existing public pensions, traditionalists see no necessity to abandon what has become the institutional backbone of societies. Furthermore, the growth of atypical employment, widespread mobility and increasingly common discontinuous employment records will require more rather than less social benefits. Instead of retrenching (early) pensions, revenues should be increased by expanding coverage and modestly increasing contribution rates. Moreover, investments in old age education and training schemes are required to combat unemployment. Finally, reforms need to remove income inequalities between different occupational groups by retrenching relatively privileged groups (Ney 2004: 32).

As to differences across policy domain, it is worth stressing that labels like pragmatists and traditionalists are particularly useful in understanding pension politics. In the field of family policy, however, the core dividing line is between those oriented towards working women and those promoting the traditional family ideal. I suggest to label these groups equal right supporters and famialists, respectively.

Equal right supporters do not distinguish between “good” and “bad” ways of raising children. Instead, they are particularly concerned with advocating gender equality in terms of equal access to social and professional positions for both sexes, which includes an equal sharing of power and responsibility in the household. Although many, if not all, social democrats in principle share this orientation, feminist women’s groups and individual politicians (usually women) stand at the forefront. Policy proposals involve public child care, parental leave for women with paid work and transfers for children of lower income groups.

Famialists perceive the traditional family as the preferable way to raise children. They reflect the interests of women who identify primarily as care givers in
a traditional family. At the very least, women should be enabled to choose whether to raise their children themselves or not. As such, they advocate social policies that reward care-giving activities regardless of employment status. Though most Christian democrats are receptive to this agenda, religious groups, religiously inspired women’s organizations and individual politicians (often but certainly not always men) are the most vehement internal supporters. Policy responses include promoting universal parental leave, tax advantages for parents without paid labor and child raising credits in pension insurance rights.

In practice, the division between social democrats and Christian democrats can be blurred. For instance, some Christian democrats (usually female politicians and women’s movements) have actually largely embraced the agenda of equal right supporters. Another example involves German pension politics from 2002 to 2005. Here, pragmatic social democrats even became informal allies with pragmatic Christian democrats to push through their preferences in parliament. Within the parties, the effectiveness of these groups depended on the degree of fiscal austerity, the strength of these groups and powerful political allies within and outside their respective parties (Trampusch 2005).

2.4.2 The Dominant Coalition

The need to find powerful allies within the party, i.e. to power, brings us to the established fact - established by a lot of empirical research on political parties - that the principal power resources tend to be concentrated in the hands of small groups, the party elite. Since the time of Michels (1915), with his now infamous ‘iron law of oligarchy’, the literature on party organizations and party behavior has been well aware of the oligarchical tendencies in political parties and the crucial role of party leaders. We can think of such leaders as creative entrepreneurs who enjoy institutional access to influence party decisions (Müller and Strøm 1999). Different leaders may bring different orientations and abilities to the job. Occasionally, a new charismatic leader shapes the party identity. During the 1980s, Thatcherism has been synonymous with the British Conservatives (Jessop et al 1988), while Blairism defined the identity of New Labour since the mid-1990s (Fairclough 2000).

Yet, Panebianco (1988) reminds us that even when a single leader seems to exercise almost absolute power, (s)he usually has to negotiate with other
organizational actors: (s)he is at the center of a coalition of internal party groups with which (s)he must, at least to a certain extent, negotiate. As such, I prefer the expression *dominant coalition*. Following Panebianco, ‘a party’s dominant coalition is composed of those – whether inside or, strictly speaking, outside of the organization itself – organizational actors who control the most vital zones of uncertainty [e.g. professional knowledge, rules, financing, recruitment and relations with associated organizations in civil society]. The control over these resources, in its turn, makes the dominant coalition the principal distribution center of organizational incentives within the party’ (1988: 37).

Accordingly, Panebianco expects more sweeping changes when leadership change is accompanied by a change in the sociological composition of the party’s dominant coalition. In Panebianco’s framework, *dominant coalition composition* refers to the people who serve as the party’s key national decision makers - cabinet members and parliamentary leaders - and factional leaders. A faction is defined as ‘any intraparty combination, clique or grouping whose members share a sense of the common identity and common purpose and are organized to act collectively – as a distinct bloc within the party to achieve their goals’ (Zariski 1960: 33).

It is thus necessary to discern the role and involvement of internal party groups. One way might be to follow Laver and Schofield (1991: 281) who claim that whenever the party leadership changes hands from one group to another, that group becomes the key one. Though this obviously is worthy of exploration, I will also pay attention to the distribution of power relationships among the party leader and existing internal groups. Furthermore, along with Shepsle, Laver has highlighted the role of cabinet ministers as “policing” legislation in his or her jurisdiction. This enables us to move beyond the unitary actor assumption and to consider the impact of the different policy preferences that might be pursued by different politicians within the same party (Laver and Shepsle 1994, 1996). This is particularly interesting because senior party politicians are typically associated with internal party groups. Most importantly for my purposes, party leaders and internal party groups are likely to attempt to affect policy outputs by selecting specific politicians for the cabinet positions that are allocated to their convictions (Luebbert 1986; Laver and Shepsle 1996; Maor 1997).
Only few studies on the impact of ministers on policy outcomes have been undertaken, but they underscore the importance of taking the micro-level of analysis into account. With respect to social policy, Stiller’s (2007) study of German welfare state reform since the mid-1990s has convincingly highlighted the relevance of ministers who were authorized to initiate or commission major reform proposals and were able to perform as entrepreneurs. Whereas a minister plays a key agenda setting role and is part of the dominant coalition in my framework, we can not ignore the potential role of others within a party’s dominant coalition, i.e cabinet members, the parliamentary leader and factional leaders. Neither can we downplay the role of (representatives of) veto players like the social partners and coalition parties.

For one, the prime minister plays an important role in policy formation. Whenever the prime minister is a representative of another party, this is but one reason why we also need to focus on interparty dynamics. Moreover, a government coalition negotiates a government program and a minister in principle cannot submit legislation disagreeing with this program. Again, this requires that we do not lose sight of interactions within and between parties. In addition, ministerial responsibilities often overlap, and if ministers from other parties or the party itself disagree with a proposal it is unlikely to be accepted. For my purposes, this includes the social and/or labor ministry, the ministry of family affairs and/or women, and the finance ministry. According to some, the finance minister in particular plays a key role in controlling government legislation (Hallerberg and Von Hagen 1999, 2001). Fiscal austerity has further strengthened the position of the finance ministry. This is even more so in EMU member states (Martin and Ross 2004). Others have pointed at the relevance of experience in politics (Müller 2006). To be more precise, less experience in politics is likely to make it more difficult for a minister to change a policy program in line with his or her preferences. Finally, we need to be aware of the responsibilities of under ministers.
2.4.3 Contextual Challenges and Elite Circulation

More than twenty years ago, Panebianco observed processes of transformation that political parties sometimes undergo\(^4\). His observations were concerned with organizational change but they strike me as having major implications for parties’ social policy preferences as well. Panebianco identifies two schools of thought concerning organizational change. According to the first, change has an exogenous origin, i.e. it is externally induced. The organization is forced to adjust to contextual challenges in order to survive (Panebianco 1988: 242).

Some of the most wellknown scholars on the role of social democracy and Christian democracy in developing welfare states can be put in the category of those highlighting that changing socio-economic policy preferences have an exogenous origin. These authors highlight two aspects of the party context relation. First, austerity poses a problem for traditional pro-welfare parties. Expanding social policy has been a crucial element of their electoral success in welfare’s golden age. However, clinging to expansion of all social legislation has become impossible, if only for demographic and financial reasons (Scharpf 1991; Van Kersbergen 1995; Pierson 2001).

A second challenge for each party is that key social constituents are in long-term decline. Especially relevant for Christian democrats is obviously secularization, that is, a decline in adherence to religious beliefs. Probably these parties have been the least class-distinctive of all as religious cleavages historically cut across class (Van Kersbergen 1995). By contrast, social democrats have traditionally had a much more homogeneous electorate and drew support from blue-collar workers in particular. As such, scholars stress the importance of de-industrialization, understood here as a decrease in the number of people employed in industry (Kitschelt 1994; Esping-Andersen 1999). Due to de-industrialization, social democratic parties face a difficult trade-off between representing the interests of a declining working class, middle class groups and a growing group of people in atypical employment relationships. Moreover, both social democrats and Christian democrats have relied heavily on associated organizations in civil society for the recruitment of members of cabinet, parliament and corporatist bodies, its sources of expertise, and its political

\(^4\) Panebianco’s work was originally published in Italian in 1982. It was first published in English in 1988.
mobilization. However, austerity (for both), secularization (for Christian democrats) and de-industrialization (for social democrats) have weakened the close ties between these parties and civil society (Kitschelt 1994; Van Kersbergen 2008: 265).

To turn to a second school interested in parties, some pose that organizational change has essentially endogenous origins, i.e. it is mainly due to changing power distributions within parties. Indeed, we have seen that some recent works on welfare state reform have highlighted the importance of intraparty bargaining and conflicts.

As Panebianco argued in the case of organizational change, focusing on external developments is insufficient because it postulates a simple stimulus-response schema (contextual change leading to organizational change) and because adjustment to contextual change is often slow and sometimes non-existent. On the other hand, the thesis of endogeneous change leaves unexplained what produced change in internal power distributions in the first place (Panebianco 1988: 242).

This strikes me as true as well in the case of political parties and welfare reform. In other words, “merely” focusing on austerity, de-industrialization and secularization is insufficient since it assumes that parties mechanically respond to these developments. Instead, I will argue below that responses of the same party are likely to differ once a new coalition has become dominant within a party. On the other hand, highlighting intraparty dynamics does not explain why we witness these dynamics. Indeed, there is an unusual degree of consensus among those focusing on intraparty politics that this alone is not sufficient to explain welfare state reform. Instead, studies are complemented with aspects of the party context outlined above to explain what actually influences the relative strength of each internal party group and their capacity for coalition building.

To turn to pensions, several scholars have argued that good macro-economic performance in combination with sound budgets strengthens the hand of traditionalists arguing for an expansion of social commitments and weakens the force of pragmatic arguments for reform or retrenchment. By contrast, fiscal austerity increases the influence of pragmatists (Clasen 2005; Trampusch 2005; Haggard and Kaufman 2008). Second, pragmatists will grow in number in a context of low cleavage mobilization (Kitschelt 1994: 210-220; Feigl-Heihs 2004).

As to contextual challenges in family policy, Clasen has stressed that this policy domain is marked by expansion rather than austerity. Accordingly, this offers parties and internal party groups a quite “open field” and thus choice for designing
new types of public policy (Clasen 2005: 181-5). Though there obviously are some fiscal constraints, the point is that these are far more limited than in the case of pensions. In fact, European monetary unification – next to liberalization of the internal market and softer as well as harder means of EU legislation – may actually help equal right supporters to legitimize policies that promote women’s employment. Thus far, however, studies have stressed the importance of secularization and female labor market participation in supporting equal right supporters. To put things differently, apart from women’s emancipation on the labor market, women’s emancipation in the form of relatively slow processes of socio-economic and cultural changes in society tends to challenge traditional normative positions on gender stratification (Clasen 2005: 181-5; Huber and Stephens 2001: 27-8).

2.4.4 Phase I: Failure to Dominate Government as a Catalyst

We can now proceed with Panebianco’s argument on party organizational change. He argues that that change usually is the effect of an external stimulus joining forces with internal developments which were themselves undermining the dominant coalition (e.g. generational changes). The external stimulus acts as a catalyst accelerating a change in the composition of the dominant coalition. And change in the power structure stimulates organizational change. Panebianco’s strongest claim probably is that when neither contextual challenges nor internal preconditions are present, organizational change will not take place (Panebianco 1988: 242).

For analytical purposes, Panebianco breaks down organizational change into three phases. The first phase witnesses ‘an organizational crisis unleashed by strong environmental pressure’ (Panebianco 1998: 243’. Though Panebianco never explicitly limits the external stimulus to vote-seeking behavior, he does pose that ‘electoral defeat and deterioration in terms of exchange in the electoral arena are classic types of external challenges which exert very strong pressure on the party’ (Panebianco 1988: 243). Yet, I concur with Harmel and Janda that it is essential to develop more explicitly and fully the concept and role of the “external stimulus” in the model. Specifically, I agree that the most potent external stimuli are “external shocks” which cause the party’s decision-makers (perhaps through pressure by others within the party) to undertake a fundamental re-evaluation of the party’s effectiveness in meeting its primary goal, whether that be electoral success or something else’. Hence,
the underlying premise is that all parties have numerous and sometimes conflicting goals, but each party has a primary goal. The latter varies among parties and potentially within parties across time (Harmel and Janda 1994).

As nicely outlined by Mulé, there are at least two reasons for the subordination of goals. First, it is often unrealistic that two goals are ranked in the same order of importance. The second reason refers to the cognitive limitations of the human mind. Imperfect information and bounded rationality involve that the situation is searched for options that are related to the primary goal and the options are evaluated in terms of it. Experimental research shows that such pragmatic attitudes prevail when there is time pressure. In setting priorities to their strategic alternatives decision-makers resort to a main goal (Mulé 2001: 40).

Following Müller and Strøm (1999), I identify three types of competitive party behavior, each of which is linked with a different primary goal: votes, office and policy. The vote-seeking model is most closely identified with the work of Downs, who posed that ‘since none of the appurtenances of office can be obtained without being elected, the main goal of every party is the winning of elections’ (Downs 1957: 34-5). Subsequently, critics have argued that it is indeed possible to maximize office benefits without maximizing votes, and accordingly pleaded in favour of a separation into the two models. Others have questioned Downs famous formulation that ‘parties formulate policies in order to win elections, rather than win elections in order to formulate policies’ (ibid: 28). In fact, it does not make much sense to assume that parties value votes for their own sake. Contrary to office or policy, obtaining votes is an instrumental goal since a high number of votes is deemed necessary to increase chances of government participation and/or to have greater influence on policy.

This brings us to office-seeking as a second model. This model derives mainly from the study of multiparty systems in advanced democracies (e.g. Riker 1962). In pure two party systems, one cannot distinguish between vote-seeking and office-seeking, for winning the election also means controlling the government. Or, in Sartori’s words, ‘coalition governments are unnecessary’ (1976: 95). Accordingly, the central premise of the office-seeking model that parties maximize their control over governmental appointments only pertains to parties in multiparty systems. With respect to party organizational change, Deschouwer also discusses the need to go beyond the Downsian model. ‘Electoral defeat is [thought to be] the mother of
change. But that only works as long as we accept that the electoral goal is dominant (Deschouwer 1992: 9 in Harmel and Janda 1994: 268). To be sure, ‘Electoral results are important. But they are not equally important for all parties, and for a single party they do not always have the same importance… A party primarily oriented towards political power certainly needs voters, but is not necessarily out of power when it losses. Especially in systems where power is reached through coalition formation, electoral losses can be of little importance’ (ibid: 16). In such environments, electoral defeats may be condoned as long as a party can maximize office. Indeed, a party may be inclined to take a political stance that reduces its voter attractiveness in order to increase its chances to participate in a coalition government.

While the idea that party elites strive for office is well established, there is less consensus on their underlying motivations. Budge and Laver (1986) point out that government participation might either be valued in itself or it might be seen as an instrument to steer policy in a preferred direction. The latter is the case according to proponents of policy-seeking, the third model. This model assumes that parties seek to maximize their impact on public policy. De Swaan, a leading supporter, puts the assumption this way: ‘considerations of policy are foremost in the minds of the actors… the parliamentary game is, in fact, about the determination of major government policy’ (De Swaan 1973:88 in Müller and Strøm 1999: 7). The policy-seeking model was developed in response to Down’s lack of attention for policy. Like its office-seeking counterpart, the model derives mainly from coalition theory. It specifically challenges the view that all parties are equally feasible coalition partners, i.e. that parties are indiscriminate with respect to their coalition partners. Instead, it is assumed that coalitions are formed by parties that seek to minimize policy disagreements between themselves and their partners (Müller and Strøm 1999: 7).

According to a small body of pure policy-seeking theory, a party may be sufficiently policy seeking to reject compromises required to gain votes or office (De Swaan 1973; Budge and Laver 1986; Laver and Budge 1992). If a party is purely policy seeking, it declares that it is not intrinsically interested in the electoral game. Hence, its behavior cannot be explained in terms of aspirations to win such stakes’ (Kitschelt 1994: 116). Instead, its behavior should be aimed at maximizing policy objectives, even if this means sacrificing a cabinet position or election prospects. But, like office, policy might have intrinsic or instrumental value. Party elites may seek certain policy goals because they believe in them or because they think they can
benefit in other ways. In many situations, it is beyond the capacity of analysts to point down the ultimate reason for which policy is sought. Yet, only people who care about “good” policy are likely to become politicians in the first place (Laver 1997). Likewise, it would be extremely opportunistic to adhere to a certain religious belief in order to eventually start a career as a Christian democrat.

Indeed, asking whether policy-seeking or office-seeking is the primary determinant of party behavior may be a misleading way of addressing the issue, since it neglects the possibility that the interaction between the two is what counts. Therefore, the majority of policy-oriented coalition theory typically presents policy as a supplement to, rather than a substitute for, office-seeking. In other words, it is assumed, at least implicitly, that parties seek office, at least partly, for instrumental reasons, as a means to influence policy. Accordingly, a policy-seeking party is portrayed as one that seeks both cabinet portfolios and ideologically compatible coalition partners. But because the potential trade-off between these objectives usually is not resolved, Müller and Strøm describe the policy-seeking party as ‘the least adequately developed model of competitive party behavior’ (1992: 8).

We can now return to the question which external shocks cause a party’s decision-makers to undertake a fundamental re-evaluation of the party’s effectiveness in meeting its primary goal. For vote maximizers the event that would most obviously send shock waves is electoral failure or at least a trend of electoral failures. How to define a “failure” would, of course, be in the eye of the beholder. It is probably better to carefully listen to politicians themselves and others within the party than to try to indirectly assess when such shocks have occurred. Parties undergoing vehement debates over how to “improve the dismal situation” can be assumed to have experienced such a shock, whether it concerned a thirty percent or a five percent drop in electoral fortunes (Harmel and Janda 1994: 269). Furthermore, electoral losses may become particularly crucial once parties drop below thresholds needed to be a majority party or to be represented in parliament (Müller and Strøm 1999: 27).

For parties that are primarily office maximizers the willingness of other parties to join you, or to let you join them, is crucial. If other parties declare their unwillingness to join you (as a large party) or to let you to join them (when you are a small party), that shock might be felt throughout the party. This is most likely to occur when the other important parties have altered themselves, creating what they see as an unacceptable distance between them and you, or when circumstances have altered in
ways that have changed the perception of your party’s acceptability as a partner. Alternatively, other, more acceptable partners can have arisen and made themselves available to your former coalition partners (Harmel and Janda 1994: 270). Or it might be the loss of the post of the prime minister that allows you to place important ministerial aspirants and influence government policy in general (Mülller and Strøm 1999: 27).

In parties whose dominant coalition prefers policy purity over votes and office, electoral losses and even government exclusion will be less of a shock than shocks more directly to the party’s policy positions. Such a shock causes even policy purists to consider changing the party’s identity because of losing confidence in the correctness or relevance of key positions. An example involves the impact that the failure of Soviet communism and the fall of the Berlin wall had on other communist parties, like in Italy. Another concerns the impact of successfully negotiated reductions in Europe-based nuclear weapons on green parties. The party context in these cases rendered key positions less relevant which – even for policy purists – caused the need for rethinking policy priorities and, to some degree, party identity (Harmel and Janda 1994: 270-71).

Though external shocks may take several forms, a prominent view in the literature on large, competitive parties is that at least parties of that type tend to be most responsive to electoral defeats (Wilson 1989; Harmel et al 1995; Janda et al 1995). This view has been pointedly summarized by Janda (1990) as ‘defeat is the mother of party change’. As to social democratic and Christian democratic parties, it is, of course, difficult to make direct comparisons of the goal priorities of social democratic and Christian democratic parties across countries, time and situational contexts. Yet, current research spells out some quite distinct behavioral patterns, which I attempt to capture here.

In the case of social democracy, recent analyses highlight the importance of office-seeking behavior rather than electoral defeats. Notably, two country specialist used the Harmel and Janda model of external shocks for social democratic parties. In his study of Danish social democracy between 1960 and 1995, Bille (1997) pointedly claims that ‘for a party which for decades has been accustomed to being in office, performance as regards governmental power counts for more than electoral performance in the short and medium term’. Accordingly, he shows that the dominant
cause of party leadership change is to be understood in the light of office-seeking behavior. Likewise, Müller (1997), argues that office can be considered the primary goal of the Austrian social democrats. From 1945 to 1966, the party had continuously participated in a government with the Christian democrats. However, once the Christian democrats gained an absolute majority in 1966, the majority of the social democratic party executive concluded that the party system had become duopolistic and that government participation would depend upon the party’s ability to maximize votes. Accordingly, the 1966 election result helped in bringing about leadership change, a change in the dominant faction and organizational change, which in turn provided the new party leader the opportunity to carry out his ideas. The party opted for a strategy of oligopolistic competition – that is, long-term vote seeking at the expense of short-term vote or office seeking. This enabled the party to achieve an absolute majority from 1970 to 1983 and, accordingly, to govern alone throughout this period.

Other studies on competitive party behavior also point out that office is the primary goal of social democratic parties. The Spanish social democrats, for instance, rapidly shifted from a policy-seeking party to an office-seeking party between 1978 and 1982 (Share 1999). Further, Kitschelt has shown that office-seeking and vote-seeking collided in countries with duopolistic party systems, like France, Great Britain and (until 1983) Austria. Afterwards, the Austrian social democrats clearly committed themselves to a pivoting strategy, that is, a strategy aimed at remaining the dominant government party. Likewise, the Swedish social democratic party adhered to pivoting throughout the 1980s. In Germany, however, social democrats grappled with the choice between vote-seeking and policy-seeking during the 1980s. Only in 1991, after nearly a decade in opposition, did the party begin to shift toward a more consistent office-seeking strategy (Kitschelt 1994). Finally, the Dutch social democrats moved from policy-seeking to office-seeking by 1986 after the policy-seeking strategy had kept the party on the opposition benches for over a decade (Kitschelt 1994; Hillebrand and Irwin 1999).

The consequences of this shift in political strategy become clear in a fascinating study by Green-Pedersen. He convincingly shows that major social security retrenchment in the Netherlands was possible once the pivotal Christian democratic party, the CDA, opted for retrenchment together with the market-liberal
party. This forced the Dutch social democratic party to accept retrenchment in order to regain office (Green-Pedersen 2002).

Indeed, the few studies that exist on the party behavior of Christian democrats have highlighted that these parties can be considered office-seekers par excellence. Panebianco argues, for example that ‘the CDU generally fits the category of parties driven by office concerns’ (Panebianco 1998: 258). Accordingly, ‘expulsion from central power (in 1969: author’s information) was the chief catalyst of change’ (ibid: 258). Furthermore, Duncan (2007) used the Harmel and Janda model of external shocks for the Dutch CDA, a clear office-maximizer. As such, sudden government exclusion in 1994 triggered changes in party leadership, internal factional balance, strategy, organization and programmatic change.

2.4.5 Phase II: Change in Dominant Coalition Composition

Duncan’s note on the internal factional balance brings us to the second phase of organizational change. According to Panebianco, this phase witnesses the discrediting of the old dominant coalition which was unable to handle the crisis, the formation of new alliances, and the replacement of the leading group. External shocks show that the old strategies of adjustment to or predominance over the party context no longer reduce or control environmental uncertainty. This uncontrollability triggers a party crisis which actually is an identity crisis. Accordingly, the organization’s active members shift their support to minority elites who, having been excluded from decision-making, are not held responsible for the crisis and have their own recipe for solving it. These minority elites represent a move towards the unknown, a modification of contextual relations, and thus, at least partially, a change of the party’s identity (Panebianco 1988).
2.4.6 Phase III: Modifying Internal Rules and a Party’s Policy Preferences

The third phase is that of organizational restructuring which involves two key organizational “areas”. First, a party’s internal decision rules are often altered, since the new leaders are likely to support their newly acquired control of the party with organizational innovations. The organogram usually is restructured: offices controlled by former leaders or their supporters decline in importance and are reorganized, while new ones grow in importance. Second, the party’s overall goals are changed. We see a “succession of ends”. At times “ultimate ends” are changed and the party’s identity and electoral hunting ground are radically altered. But usually it involves a change in the party’s strategy (Panebianco 1988: 244-6).

Here, Panebianco stops. Whereas we have already seen in the case of Dutch social democracy that changes in party strategy can have major consequences for social policy preferences, we are instead left wondering which groups have become dominant and what they want in certain policy domains. However, this cycle can be completed.

In pensions, pragmatists may become dominant over traditionalists. This enables the party to seek new solutions to cope with welfare austerity, including market options and retrenchment. In family policy, equal right supporters within a Christian democratic party may become dominant over famialists. This enables a Christian democratic party to pursue policies promoting working mothers. Here, it is worth noting that there is no straightforward correlation between traditionalists or pragmatists and famialists or equal right supporters. For instance, a dominant Christian democratic coalition may be pragmatic in the field of pensions, but either support familism or equal rights in the case of family policy. This nuanced picture of the meaning of Christian democracy across policy domains is likely to make it increasingly difficult to identify partisan effects.

Elaborating on the work of Panebianco, I break down organizational change into three phases (see figure 1.1). The first phase takes place against a background of contextual challenges, i.e. austerity, de-industrialization, secularization and women’s emancipation. Here, the catalyst is an external shock which causes a party to reevaluate its effectiveness in meeting its primary goal. For a social democratic and a Christian democratic party, failure to dominate government is the most potent external stimulus. The second phase witnesses the replacement of the dominant coalition
which was unable to handle the crisis. In the third phase, a party’s internal decision rules are often altered to consolidate the power of the new dominant coalition. Furthermore, we see a change of policy preferences (i.e. a substitution of new policy values for older policy values). Please note that table 2.1 comprises three partisan ideal types, each of which with distinctive policy values. The latter include earnings equality, status maintenance and equality of opportunity in pensions, and equality of opportunity for individual family members, support for the traditional family and the family as a private matter. Once such a policy value is altered, power resources theory has less explanatory power than before.

At this point the cycle is complete and the crisis has been resolved through organizational restructuring. As noted by Panebianco himself, such a ‘model clearly exposes itself to the criticism of being overly mechanistic. Like all models, however, it does not pretend to exhaustively describe change, but simply to explain certain recurrent developments and their relations’ (Panebianco 1988: 247).

One empirical problem is that changes of preferences are accompanied by leadership continuity, or, at least, relative stability in the most visible leadership. This would appear to throw into question the causal relationship between ruling group turnover and changes in policy preferences. However, as noted by Panebianco, change in dominant coalition composition does not necessarily imply the replacement of the most visible leader – though this is usually the case (Panebianco 1988: 248).

Panebianco also highlights a second apparent difficulty in arguing ‘that change and goal redefinition often take place cautiously and slowly. To speak of a succession of ends might thus seem an exaggeration, for official goals are rarely entirely replaced. This objection, however, does not invalidate the model: it merely demonstrates that organizational change may be more or less thoroughgoing. Change in organizational order depends, in fact, on how much renewal has occurred in the dominant coalition…The fact that organizational change in parties is often small, is due to the circumstance that changes in the composition of the dominant coalitions are often small as well’ (ibid).
As such, we now have the basis for the central propositions to be explored in the empirical chapters:

**Proposition 1:** Against a background of austerity and de-industrialization, failure to dominate government is the catalyst triggering a coalition of pragmatists to become dominant within a social democratic party.

**Proposition 2:** Against a background of austerity and secularization, failure to dominate government is the catalyst triggering a coalition of pragmatists to become dominant within a Christian democratic party.

**Proposition 3:** Against a background of secularization and women’s emancipation, failure to dominate government is the catalyst triggering a coalition of equal right supporters to become dominant within a Christian democratic party.

Perhaps superfluously, it is worth stressing here that these propositions sharply contrast with the expectations derived from power resource theory (see table 2.1). To be more precise, proposition 1 runs counter to the assumption that social democrats promote earnings equality. In addition, proposition 2 diverges from the expectation that Christian democrats try to maintain status differences. Finally, proposition 3 contrasts with the expectation that Christian democrats promote gender stratification.
3 Research Design

This chapter sets up a research design to test and substantiate the argument. In developing the research design, I consistently pay attention to measurement problems of existing research on welfare reform with specific attention for macro-comparative quantitative studies. The preferred methodological route for this research, comparative case studies through detailed, systematic process-tracing, by no means resolves all these difficulties and surely not completely. However, it does provide a way to gauge the plausibility of conjectures. Therefore, in the first section, I highlight the value of small-n research in general and process-tracing in particular. Afterwards, in respective order, I turn to country selection, the choice of welfare state programs, the choice of time period and the operationalization of welfare reforms.

3.1 The Value of Small-N Research

In recent years, lively debates about qualitative and quantitative cross-country comparative approaches have arisen. Rather than making a statement in favour of either one or the other for the social sciences in general, I would merely like to argue that there are at least three reasons that point to small-n research as the most relevant research design for studying the politics of welfare state reform.

First, I concur with Hall (2003) that theories based on strategic interaction and path dependency tend to specify a world whose causal structure is too complex to be tested effectively by conventional statistical methods. Most standard forms of regression analysis, the most popular statistical technique employed in comparative welfare state analysis, produce valid causal inferences only when several conditions are met. Yet, Kittel highlights that two crucial assumptions - identical and independent behaviour - do not hold in a world where individuals are boundedly rational and have the capacity to reflect on their actions, and to act strategically. To add insult to injury, collective actors’ behavior is not a simple aggregate of individual behavior, but a result of powering and puzzling, and hence much less determinate (Kittel 2006). Accordingly, macro-comparative quantitative studies on welfare state reform may compute power balances between parties very precisely, but since these studies assume unitary actors with stable preferences, the result is misleading at best or plainly wrong. As a solution to the divergence between the complexity to be
analyzed and the assumptions required for regression analysis, Hall (2003, 2008) proposes small-n research based on systematic process-tracing.5

Second, even if it was possible to move beyond the assumptions of conventional large-n welfare state analysis, the measurement of welfare state reform poses a major challenge. Macro-comparative quantitative research that tests the extent to which the ideological position of parties as we knew influences welfare state reform has largely relied on the OECD’s social expenditure database (e.g. Huber and Stephens 2001; Kittel and Obinger 2003). Yet, severe and often insurmountable measurement problems undermine data quality to such a degree that this seriously affects the interpretability of findings (De Deken and Kittel 2007).

Third, and partly because of the difficulties in measuring both causal factors and welfare state reform, the debate about the politics of welfare reform is marked by contention among competing theoretical perspectives about what kinds of causal factors matter rather than a debate about the precise magnitude of well-known causal factors. According to Hall (2008), a multivariate mode of explanation that employs statistical analysis on a large number of cases makes good sense when we are reasonably confident that one existing theory specifies the relevant variables well and where they are measurable and few in number. However, these conditions do not apply in the debate about the politics of welfare state reform. Here, systematic process analysis is particularly useful. Relying on a small-n comparison, systematic process-tracing enables me to identify the intervening causal process - the causal chain and causal mechanism – between an independent variable (or variables) and the outcome of the dependent variable’ (George and Bennett 2005: 206).

A causal mechanism can only be identified when the process, linked to an outcome and set-up condition is shown. In this regard, the work of Hedström and his collaborators is particularly useful. Building on Coleman’s (1986) so-called micro-macro graph, Hedström and Swedberg (1996, 1998) differentiate between “situational” action (macro-micro), “individual action” (micro-micro) and “transformational” (micro-macro) mechanisms on the basis of their degrees of influence. According to the authors, ‘instead of analyzing relationships between phenomena exclusively on the macro-level, one should always try to establish how macro-level events or conditions affect the individual, how the individual assimilates

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5 Though Hall uses the term ‘systematic process analysis’, I adopt a slightly different term for it in order to associate it with the specific historical features I consider crucial to its practice.
the impact of these macro-level events and how a number of individuals, through their actions and interactions, generate macro-level outcomes’ (Hedström and Swedberg 1998: 21-23 in Cerami 2008: 5). Social scientists usually explain macro-level outcomes like welfare state change (D in figure 1) with references to other macro-level phenomena such as fiscal austerity (A). ‘But simply providing a link between D and A, statistically or otherwise, would lead to a rather incomplete explanation since the mechanisms that inform us about how and why they are related cannot be found at this aggregate level’ (Cerami 2008: 6). Therefore, Hedström (2008) proposes to inquire how individuals’ properties and orientations to action are influenced by the context in which they are embedded (link 1), how individual’s properties and orientations to action influence how they act (link 2), and how these actions lead to the social outcomes we aim to explain (link 3). Explaining the entire causal chain of these mechanisms is the main logic of the mechanism-based explanation approach adopted in this book. Here, I differentiate between the macro-level conditions of link 1 (the party context), the micro-level of link 2 (intraparty dynamics) and the macro-level outcomes of link 3 (welfare reforms).

Figure 3.1 Macro-Micro Linkages

A: Actions of others or other relevant environmental conditions
B: Individual reasons or other properties influencing individual action
C: Individual action
D: Social outcome

Source: Hedström 2008
As similar causal mechanisms and outcomes are measured in a similar way across each country, systematic process-tracing permits the testing of my propositions (Faletti 2006: 6-7). Furthermore, it enables me to assess the validity of their rivals (Weishaupt 2008: 11). Moreover, the analysis of the mechanisms involved in an outcome can also allow the detection of a genuine causal relationship and not merely a correlation between variables. This ultimately allows the detection of theories that would otherwise remain unknown (Cerami 2008: 2). Finally, systematic process-tracing allows me to identify necessary conditions which should be present in all those cases that lead to a certain outcome even if chance events interfere (Ebbinghaus 2005: 146). Yet, because it depends on detailed analysis of a small number of countries, systematic process-tracing cannot not produce precise parameter estimates (Hall 2008: 314). Hence, comparative case studies by no means resolve all difficulties, but they do provide a way to gauge the plausibility of conjectures.

3.2 Austria, Germany and the Netherlands: A Most Similar Systems Design

Empirical analyses of welfare reform are often confronted with the problem of multi-causality. Studies on political parties and welfare reform have highlighted the importance of problem loads, path dependent welfare arrangements, systems of electoral competition, veto points, veto players in government, the role and involvement of social partners, and the increasing role of international organizations. Furthermore, it is a matter of debate which developments put most strain on certain welfare programs and the policy preferences of various political actors. With many things occurring at the same time, it has become very difficult to single out the importance of a certain development, let alone to find a master explanatory variable.

This study has opted for a most similar systems design focusing on Austria, Germany and the Netherlands to hold a number of potential explanatory variables for differences in reforms relatively constant. As to problem loads and welfare benefits, the three selected countries are all continental welfare states with benefits financed by payroll obligations. These face the double challenge of low levels of female labor market participation and high levels of early exit (see tables 3.6 and 3.7). Whereas the climate surrounding the welfare state is generally understood to be one of retrenchment, it has been argued that continental European welfare states find themselves in a negative spiral of ‘welfare without work’.

Hence, the selected
countries face a particularly difficult dilemma between retrenching generous benefits for elderly male breadwinners and expanding policies that reconcile work and family life (Esping-Andersen 1996).

To turn to systems of electoral competition, these are characterized by strong social democratic and strong Christian democratic parties. Throughout the post-war period, at least one of the two participated in government. Since the early 1980s, our social democratic and Christian democratic parties formed coalition governments. Hence, they had to strike compromises with veto players in government. Moreover, the countries have a longstanding corporatist tradition. Employers’ associations and trade unions are highly involved in administering pension schemes. Finally, our countries are all members of the Economic Monetary Union.

This is not to say that the countries to be analyzed here are completely similar. Although all countries have bicameral parliaments, chapter four outlines that Germany is the only country where bicameralism can be considered a veto point or a veto player. In addition, chapter five highlights that our countries established quite similar family policies and generous early pensions. However, private old age pensions (in the second and the third pillar) only play a marginal role in Austria and Germany. The Netherlands, by contrast, has a multi-pillar old age pension system. Since the old age risk is shared between the state and the social partners, this combined public-private approach is regarded as being fairly resistant to the demographic and economic shocks that affect public old age pension systems in Austria and the Germany (Haverland 2001; Van Riel et al 2003; Schludi 2005: 16-20; Anderson 2007).

This brings us to differences in problem loads. Tables 3.1 to 3.10 show that the Dutch welfare state faced the most severe strains until the mid-1990s. From then on, Germany has been coping with the most pressures. Austria has gradually faced increasing challenges, but generally is somewhere in between Germany and the Netherlands.

Since the previous section has already pointed at measurement errors of gross aggregate social expenditure data, it is sufficient here to note that the German welfare state is most expensive in net terms in 2001 (Adema and Ladaique 2005: 71)\(^6\). By then, Germany spent 28 percent of its GDP on welfare while Austria and the

\(^6\)Throughout this section, I have opted for figures from the early 1970s on, whenever possible. In the case of net social spending, for instance, older figures were not available.
Netherlands spent 22 percent and 21 percent, respectively. As to other financial indicators, tables 3.1 and 3.2 show that the Netherlands had the highest debt and deficit in the early 1990s. Since the mid-1990s, all have to meet the European Momentary Union’s 60 percent debt criterium and the 3 percent deficit criterium. By the late 1990s, meeting the deficit criterium was a foregone conclusion for the Netherlands. However, this was more difficult for Austria and Germany. Between 2002 and 2005, Germany even failed to comply with this criterium four times in a row.

Table 3.1 Government deficit as a percentage of GDP, 1990-2005

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<tbody>
<tr>
<td>Austria</td>
<td>-3.0</td>
<td>-4.1</td>
<td>-1.6</td>
<td>-1.4</td>
</tr>
<tr>
<td>Germany</td>
<td>-2.6</td>
<td>-2.9</td>
<td>-2.0</td>
<td>-3.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-3.8</td>
<td>-2.7</td>
<td>0.3</td>
<td>-1.8</td>
</tr>
</tbody>
</table>

Source: OECD 2008a.

Table 3.2 Government debt as a percentage of GDP, 1990-2005

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<tbody>
<tr>
<td>Austria</td>
<td>58.2</td>
<td>67.4</td>
<td>69.2</td>
<td>70.0</td>
</tr>
<tr>
<td>Germany</td>
<td>41.4</td>
<td>55.4</td>
<td>61.0</td>
<td>66.8</td>
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<tr>
<td>Netherlands</td>
<td>91.3</td>
<td>86.7</td>
<td>68.9</td>
<td>61.2</td>
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Source: OECD 2008a.

Table 3.3 and 3.4 provide an overview of economic growth and unemployment. In the late 1970s and the 1980s, the Netherlands clearly had the lowest economic growth rates and the highest unemployment rates. With the partial exception of an initial unification boom, however, Germany is the worst performer on both indicators since the early 1990s. As the Dutch were witnessing their “miracle” in the second half of the 1990s, Austrians was once again somewhere in between, though much closer to the Netherlands than to Germany – especially between 2002 and 2005.
Table 3.3 Economic growth, 1973-2005*

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<tbody>
<tr>
<td>Austria</td>
<td>3.0</td>
<td>1.9</td>
<td>1.0</td>
<td>1.9</td>
<td>2.8</td>
<td>1.6</td>
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<tr>
<td>Germany</td>
<td>2.5</td>
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<td>1.3</td>
<td>2.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Netherlands</td>
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<td>1.1</td>
<td>1.2</td>
<td>3.3</td>
<td>3.6</td>
<td>1.0</td>
</tr>
</tbody>
</table>

*Figures are percentage annual increase in GDP per capita.

Sources: Huber and Stephens 2001; OECD 2008a.

Table 3.4 Unemployment, 1974-2005

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<tbody>
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<td>1.6</td>
<td>3.3</td>
<td>3.9</td>
<td>4.1</td>
<td>3.7</td>
<td>4.9</td>
</tr>
<tr>
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<td>10.8</td>
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<tr>
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<td>6.2</td>
<td>5.8</td>
<td>2.8</td>
<td>4.7</td>
</tr>
</tbody>
</table>

*Figures are percentage of the labor force unemployed.

Sources: Huber and Stephens 2001; OECD 2008a.

Though I have posed above that continental European welfare states find themselves in a negative spiral of ‘welfare without work’, it remains to be seen whether these countries find themselves in the same position. Tables 3.5 to 3.7 indicate that our countries are quite similar as regards employment figures. Nonetheless, some differences stand out. First, the Netherlands has caught up with the other countries since the mid-1980s. With regard to total employment and female employment, it had even become the frontrunner by 2000. Moreover, in 2005, the country had the highest scores on the employment indicators portrayed in tables 3.5 to 3.7. Nonetheless, various scholars have stressed that the Netherlands performs less well in comparison to the other countries if we focus upon full time equivalents. Many persons have part-time jobs (see table 3.8), around two-thirds of whom are women (Visser 2002; Yerkes 2006). Second, since the mid-1990s, Germany has the lowest total employment and female employment rates. As such, at least in these regards, it again faces the most severe strains. However, Austria consistently has the lowest share of employed people aged 55 to 64.
Table 3.5 Employment/population ratios for persons aged 15-64, 1973-2005

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>n.d.</td>
<td>n.d.</td>
<td>n.d.</td>
<td>n.d.</td>
<td>69</td>
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<td>71</td>
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</tbody>
</table>

*Source: OECD 2008a.*

Table 3.6 Share of women aged 15-64 in employment, 1973-2005

<table>
<thead>
<tr>
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<td>54</td>
<td>63</td>
<td>65</td>
</tr>
</tbody>
</table>

*Sources: Huber and Stephens 2001; OECD 2008a.*

Table 3.7 Employment rates for age group 55-64, 1971-2005

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td>n.d.</td>
<td>n.d.</td>
<td>28*</td>
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<td>Germany</td>
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<td>29</td>
<td>38</td>
<td>45</td>
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</tbody>
</table>

* 1994 figure

*Source: OECD 2008a.*

Table 3.8 Part-time employment as a percentage of total employment, 1983-2005*

<table>
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<tr>
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<td>n.d.</td>
<td>11</td>
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<td>13</td>
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<td>28</td>
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<td>32</td>
<td>36</td>
</tr>
</tbody>
</table>

* Part-time employment refers to persons who usually work less than 30 hours per week in a main job.

*Source: OECD 2008a.*

58
Finally, tables 3.9 and 3.10 provide some key information about population ageing. Though especially past figures do not diverge very much, Germany once again faces the biggest challenge. If the estimations are correct, the Netherlands has the youngest population until at least 2020. Austria again finds itself in a position somewhere in between our countries, but fertility rates are very close to Germany.

Table 3.9 Ratio of population aged 65 and over to the total population, 2000-2030

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
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<td>Germany</td>
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</tbody>
</table>

Source: OECD 2008a.

Table 3.10 Fertility rates, 1970-2005

<table>
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</thead>
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<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
<td>1.4</td>
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<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Netherlands</td>
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<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.5</td>
<td>1.7</td>
<td>1.7</td>
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</table>

Source: OECD 2008b.

3.3 The Choice of Welfare State Programs

There are five reasons why this research focuses on pensions (old age pensions, early pensions and active labor market policies for the elderly) and family policy (public childcare, parental leave and family allowances). First, as outlined in the section above, parties in continental European countries face a dilemma between retrenching generous benefits for elderly male breadwinners and expanding policies that reconcile work and family life. This dilemma is likely to establish itself most clearly within traditional welfare state parties. In other words, to what degree and when will a social democratic party opt for promoting the interests of elderly workers, and to what extent and when are the interests of working women taken into account? For Christian democrats, it is not
only increasingly difficult to mediate trade unions’ and employers’ interests alike in the field of pensions in an age of austerity. Apart from this, there is also the highly value loaded issue of supporting housewives or working mothers.

Second, the overwhelming majority of research on (types of) welfare states has been interested in big, monetary forms of support developed to target social risks within industrial societies (i.e. pensions, unemployment benefits, and sickness and disability benefits). As welfare states are also composed of other public redistribution mechanisms to promote the life chances of their populations, some claims about welfare state politics based upon big transfer schemes may not be as relevant in an area like family policy.

This brings us to the third consideration. The expected relevance of key theories on welfare state development is likely to differ across fields like pensions and family policy. To start with, pensions rather than family policy offer a primary example of the popularity and the associated political costs of welfare reform as stressed by the new politics perspective. The work of Myles and Pierson on pensions is a case in point here. They pose that the dynamic of pension reform is largely shaped by the extent to which existing pay-as-you-go (PAYG) financed schemes have matured. On top of fiscal austerity and adverse demographic developments, retrenching well established and generous pensions is difficult due to a large constituency. Opinion polls show that pensions are highly popular and are often seen as well-earned rights which are expected to be honoured. Furthermore, shifting from PAYG financing to pre-funding implies transition costs since current workers have to continue financing the previous generation’s retirement while simultaneously saving for their own. In short, because of institutional characteristics (policy legacies), notions of ‘path dependence’ and ‘the new politics of the welfare state’ are particularly instructive in the domain of public pensions.

As to actors, Myles and Pierson contend that all-party agreements or corporatist arrangements involving trade unions and employers’ associations were the rule, at least until the early 2000s. Since pension politics is primarily about retrenchment, blame needs to be diffused by bringing all these key social actors on board. Outcomes, then, hinge critically on the role and involvement of these actors (Myles and Pierson 2001). Especially in continental Europe, social partners are highly involved in administrating pension schemes and have shared an incentive to develop generous early retirement schemes. Ever since the 1970s, employers made use of early pensions to circumvent rigid dismissal legislation and shed of elderly and less productive workers at a relatively low cost (Mares 2003: 257). For trade unions, generous early retirement schemes offered
socially acceptable ways to protect their main clientele of older, male industrial workers (Ebbinghaus 2001).

Instead, Clasen has argued that institutional settings are less relevant in family policy than in other social policy fields. Within a context of expansion, it leaves parties much more of an ‘open field’ and thus choice for designing new types of public policy. As to programme-specific characteristics, family policy has much less of a policy legacy to shape reform in comparison to pensions. Instead, the absence of social partners in policy administration, of earmarked contributory funding, or even of benefit indexation makes a government more directly accountable, but simultaneously allows a relatively large room for manoeuvre. It means that family policy is less influenced by sudden changes in the economy or labor market. Instead, relatively slow processes of socio-economic and cultural changes in society and labor markets tend to challenge traditional normative positions on gender stratification as well as family privacy. These only gradually impact on changes in policy direction. Therefore, partisan differences are likely to remain pronounced in family policy (Clasen 2005: 181-5). By contrast, the ‘new politics thesis’ is expected to be quite relevant in pension politics, but far less so in family policy.

Challenges to traditional normative positions on gender stratification as well as family privacy bring us to a fourth theoretical reason why this research has selected pensions and family policy. This is because, in comparison to pensions, family policy not “merely” involves the politicized matter of how to distribute money but also the more private matter of how one should raise children. Whereas both policy fields are very complex, Bothfeld suggests that family policy is particularly well-suited for an ideational perspective. This is mainly due to the fact that family issues cannot be reduced to distributional issues where actors’ interests can be easily identified. Rather, actors’ normative orientations about the appropriate policy solution are more central in political discussions (Bothfeld 2005: 146-7).

The fifth and final reason why this research has selected old age and family policy is societal relevance. These policies are not only effective bulwarks against old and new social risks in general and old age and child poverty in particular. Taken together, these policies also offer a potential response to population ageing. To be more precise, especially in continental Europe, increasing employment rates of older workers and women may reduce the fiscal costs of ageing. Furthermore, without investments in child care services and parental leave we shall witness a very severe shortage of births.
(cf. Esping-Andersen 2002). A more sceptical note on the societal relevance involves the possibility of justifying unpopular pension retrenchments by investing in family policy or active ageing schemes in order to increase both employment and birth rates.

### 3.4 The Choice of Time Period

The study focuses on the period between the early 1980s and 2006. The reason for starting the analysis at the beginning of the 1980s is that the effects of the second oil crisis were visible. Accordingly, the macro-economic difficulties were not simply signs of a temporary crisis and expanding the welfare state was increasingly difficult. From an international perspective, ‘embedded liberalism’ (Ruggie 1982) was disappearing and the period of ‘neoliberal times’ (Glyn 2001) had arrived. As illustrated in the previous tables, the economic and demographic foundations of the welfare state continued to erode. Fiscal pressures increased due European monetary unification and, in the case of Germany, re-unification. Furthermore, both a class-based and a religion-based appeal were increasingly inappropriate electoral strategies.

Last but not least, a period of about 25 years enables me to trace the links between possible causes and observed outcomes over quite a long period. Accordingly, the analysis builds upon the insights from within-case analysis through detailed historical study of the underlying social processes that stand behind macro-variables (Ebbinghaus 2005: 149). More specifically, tables 3.11 to 3.13 show that the period from the early 1980s to 2006 captures a large degree of variation in the partisan composition of governments across space and time. For each country, at least three different governments and eight governmental periods are included in this study. Still, we cannot simply ignore the political struggles over the introduction and expansion of social policy. Accordingly, chapter five, the overview of developments in pensions and family policy across the three countries, starts out by summarizing the main legislative changes in the golden age, and relates these to the role and involvement of political parties. Neither are the main events after 2006 ignored, since each country chapter on pensions and family policy ends with more recent developments in order to further substantiate and test the argument.
Table 3.11 Governments in Austria, 1983-2006

<table>
<thead>
<tr>
<th>Begin</th>
<th>Pty 1</th>
<th>Pty 2</th>
<th>Prime Minister</th>
<th>Finance</th>
<th>Social Affairs and Labor</th>
<th>Women and Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.05.83</td>
<td>SPÖ</td>
<td>FPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td></td>
</tr>
<tr>
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<td>FPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td></td>
</tr>
<tr>
<td>21.01.87</td>
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<td>ÖVP</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>Family: ÖVP</td>
</tr>
<tr>
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<td>ÖVP</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>Women: SPÖ</td>
</tr>
<tr>
<td>30.11.94</td>
<td>SPÖ</td>
<td>ÖVP</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>Women: SPÖ</td>
</tr>
<tr>
<td>12.03.96</td>
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<td>ÖVP</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>Women: SPÖ</td>
</tr>
<tr>
<td>28.01.97</td>
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<td>ÖVP</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>SPÖ</td>
<td>Women: SPÖ</td>
</tr>
<tr>
<td>04.02.00</td>
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<td>FPÖ</td>
<td>ÖVP</td>
<td>FPÖ</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FPÖ/Labor: ÖVP</td>
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</tr>
<tr>
<td>28.02.03</td>
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<td>FPÖ</td>
<td>ÖVP</td>
<td>ÖVP</td>
<td>Social Affairs:</td>
<td>ÖVP</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BZÖ</td>
<td></td>
<td></td>
<td>FPÖ/BZÖ/Labor: ÖVP</td>
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</tr>
</tbody>
</table>

Note: For each party in government, the number of seats in the Nationalrat have been reported (out of a total of 183).

Sources: Woldendorp et al 2001; Dachs et al. 2006.
Table 3.12 Governments in Germany, 1982-2006

<table>
<thead>
<tr>
<th>Begin</th>
<th>Pty 1</th>
<th>Pty 2</th>
<th>Pty 3</th>
<th>Prime Minister</th>
<th>Finance</th>
<th>Social Affairs and Labor</th>
<th>Women and Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.10.82</td>
<td>CDU 174/497</td>
<td>FDP 53/497</td>
<td>CSU 52/497</td>
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<td>CDU</td>
<td>CDU</td>
<td>Family: CDU</td>
</tr>
<tr>
<td>30.03.83</td>
<td>CDU 191/497</td>
<td>CSU 53/497</td>
<td>FDP 34/497</td>
<td>CDU</td>
<td>CDU</td>
<td>CDU</td>
<td>Family: CDU</td>
</tr>
<tr>
<td>11.03.87</td>
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<td>CSU 49/519</td>
<td>FDP 46/519</td>
<td>CDU</td>
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</tr>
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<td>CDU 268/662</td>
<td>FDP 79/662</td>
<td>CSU 51/662</td>
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<td>CSU</td>
<td>CDU</td>
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*Note:* For each government party, the number of seats in the Bundestag have been reported as well as the total number of seats within a specific governmental period.

Table 3.13 Governments in the Netherlands, 1982-2006

<table>
<thead>
<tr>
<th>Begin</th>
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<th>Pty 2</th>
<th>Pty 3</th>
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<th>Finance</th>
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<td>PvdA</td>
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<td>44</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:  
1 For each party in government, the number of seats in the Second Chamber have been reported (out of a total of 150)  
2 The CDA-VVD coalition became a caretaker government on May 3, 1989.  
3 The PvdA-VVD-D66 coalition became a caretaker government on April 16, 2002.  
4 The CDA-LPF-VVD coalition became a caretaker government on October 16, 2002.  
5 Unlike all other Dutch governments included in this study, the CDA-VVD coalition is a minority government rather than a majority government. As such, it only governed until a coalition between the CDA, PvdA and Christian Union had been installed on February 22, 2007.  
Source: Woldendorp et al 2001; Documentation Centre for Dutch Political Parties, various yearbooks.

3.5 Operationalizing Welfare Reform

Next to lack a of consensus on the variables causing variation in reform, another striking feature of current comparative research on the welfare state is the lack of consensus on outcomes. How much, and in what ways, have welfare states changed since the end of the post-war boom? This controversy can be labelled the “dependent
variable problem”. As the term suggests, the “dependent variable problem” is about defining the object of the entire debate about welfare reform. This involves such questions as how does one separate cutbacks from adjustments?; and which data are most appropriate for empirical investigations of reform outcomes (Green-Pedersen 2004)?

With regard to the first question, it should be acknowledged that describing reforms as simple cutbacks is not always sufficient, although changes often involve reductions of benefits, increases in qualifying conditions, and/or increases in taxes or contributions. However, some reforms, including certain cutbacks, make the system more re-distributive across class, gender and age. Finally, some reforms enable certain groups to enhance their income differences.

The impact of a reform on different groups brings us automatically to the issue of appropriate data. Following Esping-Andersen’s lead, there has been a broad recognition that many of the theoretically relevant outcomes of welfare reform will simply not be captured by aggregate social expenditure data (Clayton and Pontusson 1998; Goodin et al. 1999). This type of data cannot tell us very much about how, or on whom, the money is (re-)distributed. For example, we may see differences in specific programs that are masked by overall social spending patterns. Moreover, as long as the growth of beneficiaries exceeds the per-capita percentage reduction in benefits, spending will be higher (Allan and Scruggs 2004: 498). Furthermore, a problem with measures based on expenditures is the ‘time-lag problem’. This refers to the fact that many cutbacks, especially in the field of pensions, are designed to have gradual impact rather than immediate effects. Consequently, many enacted cutbacks are not yet visible in expenditures (Pierson 1994: 14; Green-Pedersen 2004: 8). In addition, net social expenditure data do not include tax advantages for private welfare schemes (Adema and Ladaique 2005). Finally, measurement problems in aggregate social expenditure data have raised concerns (Kittel and Obinger 2003; De Deken and Kittel 2007).

Some of these problems are avoided by using net replacement rates as Korpi and Palme (2003) have done in their analysis of welfare retrenchment. However, this raises other problems. Net replacement rates are also affected by factors other than changes in social security systems – especially earnings and their taxation. And like expenditure estimates, net replacement rates do not capture changes in duration and
eligibility criteria. Hence, both measures cannot capture whether various actors make a difference in reform politics. This was an important part of Esping-Andersen’s influential criticism of pre-1990 characterisations of welfare development.

Building on this insight, I operationalize welfare state reform in specific policy domains and in specific periods at the individual level of entitlements. Welfare reform is defined here as a change in social policy legislation. As a starting point, chapter five summarizes the main legislative changes before and after the golden age. These will be related to specific governmental periods. Whenever possible, the qualitative overview incorporates the findings of existing studies that have used quantitative indicators measured at the individual level of entitlements. Moreover, the case studies in chapter six to eleven subsequently provide a more detailed qualitative overview of all major legislation implemented from the early 1980s to 2006.

The description of legislative changes is based on the three partisan ideal types. For theoretical reasons explained in the previous chapter, I am particularly interested in those reforms that go against the expectations derived from power resource theory.

As to pensions, the ideal types lead us to expect that social democrats promote earnings equality via a welfare state with high transfers, high services and universal social rights. The state is the preferred management or regulatory structure. Furthermore, Christian democrats are assumed to maintain income differences via a welfare state with high transfers, low services and status-based entitlements. The social partners are the preferred actors to manage or regulate the system with a secondary role for the state. Finally, power resource theory expects that liberals support equality of opportunity via a welfare state with low transfers, low services and means-tested entitlements. The market is the preferred way of managing or regulating.

Regards family policy, power resource theory expects that social democrats support equality of opportunity for women via the provision of social services, whereas Christian democrats promote the traditional family ideal, and liberals wish to interfere as little as possible in private spheres.
4 Developments in Electoral Contexts in Austria, the Netherlands and Germany

This chapter provides an overview of developments in electoral contexts in Austria, the Netherlands and Germany. Specific attention will be paid to social democracy and Christian democracy from the early 1980s to 2006. The first section outlines developments in party systems and election results. The second section looks at the contextual challenges faced by social democracy and Christian democracy in the respective countries. The focus is upon de-industrialization, secularization and women’s emancipation, since austerity has already been outlined in section 3.2.

4.1 Developments within Party Systems

Austria

Austria is a quasi-federal state. Though the Länder (states) share powers with the federal government, their competencies are limited and national finances are the sole prerogative of the national parliament. Parliament is bicameral with a Bundesrat (Upper House), elected by the parliaments of the states, and a Nationalrat (Lower House), elected by proportional representation. However, the latter only has suspensive veto power. As such, a law is adopted if the Nationalrat confirms the original proposal with at least half of its members present. Thus, the Bundesrat is not a veto point or a veto player. The Prime Minister (Chancellor) has a dominant position in government (Woldendorp et al. 2000: 113; Obinger 2005: 197).

Throughout the post-war period, the Austrian party system has been characterized by two large parties: the SPÖ (Sozial demokratische Partei Österreichs: social democrats) and the ÖVP (Österreichische Volkspartei: Christian democrats). These were able to win over over 90 percent of votes in Nationalrat elections until the early 1980s. Hence, the party system resembled a two-party system. Since 1986, this is no longer the case due to the merger of two green movements. Between 1986 and 1999, however, the size of the two major parties’ electoral support decreased in particular at the expense of the right-wing populist FPÖ (Freiheitliche Partei Österreichs). The year 1999 even witnessed the lowest scores ever for the SPÖ and
the ÖVP. Paradoxically, this enabled the ÖVP to become the pivotal party and to
govern with the FPÖ. In 2005, a group of FPÖ politicians quit the party and
established the right-wing populist BZÖ (*Bündnis Zukunft Österreich*).

Table 4.1 Nationalrat elections, 1983-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>SPÖ</th>
<th>ÖVP</th>
<th>FPÖ</th>
<th>Greens</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>51.0</td>
<td>41.9</td>
<td>5.0</td>
<td>3.4</td>
<td>0.8</td>
</tr>
<tr>
<td>1986</td>
<td>43.1</td>
<td>41.3</td>
<td>9.7</td>
<td>4.8¹</td>
<td>1.0</td>
</tr>
<tr>
<td>1990</td>
<td>42.8</td>
<td>32.1</td>
<td>16.6</td>
<td>4.8²</td>
<td>3.7</td>
</tr>
<tr>
<td>1994</td>
<td>34.9</td>
<td>27.7</td>
<td>22.5</td>
<td>7.3³</td>
<td>1.7</td>
</tr>
<tr>
<td>1995</td>
<td>38.1</td>
<td>28.3</td>
<td>21.9</td>
<td>4.8</td>
<td>1.4</td>
</tr>
<tr>
<td>1999</td>
<td>33.1</td>
<td>26.9</td>
<td>26.9</td>
<td>7.4</td>
<td>2.0</td>
</tr>
<tr>
<td>2002</td>
<td>36.5</td>
<td>42.3</td>
<td>10.0</td>
<td>9.5</td>
<td>1.7</td>
</tr>
<tr>
<td>2006</td>
<td>35.3</td>
<td>34.3</td>
<td>FPÖ 11.0</td>
<td>BZÖ 4.1</td>
<td>11.0</td>
</tr>
</tbody>
</table>

Notes: 1 Two Green partien parties competed during the 1986 elections. The so-called Meissner Blau
List obtained 4.8 percent of the votes. The so-called Democratic List obtained merely 0.1 percent
of the votes. These have been included under others here.
2 During the 1990 elections, a small group of Greens were represented by the VGÖ. This party
managed to gain 2.0 percent of the votes which have been included under others here.
3 During the 1994 elections, the VGÖ managed to obtain only 0.1 percent of the votes. These have
been included under others here. From the 1995 elections on, the Greens compete under a joint list.


Germany

Reality is complex. This certainly applies to German politics. First, Germany is a
federal state with power being shared at the federal level by bicameralism. As we will
see, this can induce situations of “divided government” since delegates of the *Länder*
(states) governments form the *Bundesrat* (Upper House) while federal elections shape
the composition of the *Bundestag* (Lower House). Although the Prime Minister
(Chancellor) has a dominant position in government, the legislature is a strong

Second, it is particularly difficult to decide whether Christian democracy constitutes one or two political parties. In fact, the Christian democrats of the Christian Democratic Union (Christlich Demokratische Union: CDU) and the Bavarian Christian Social Union (Christlich Soziale Union: CSU) have a single Bundestag fraction but do not have a unified party organization. This unique partnership between two sister parties is based on electoral noncompetition as well as parliamentary fusion. This allows the CSU to function as an autonomous regional party in alliance with the CDU (Chandler 1998: 68). Moreover, the politics of unification superimposed a layer of complexity upon the consideration of the character of political parties.

East and West Germany were (re-)united as the Federal Republic of Germany in October 1990. During the postwar period, the West German party system comprised a small liberal party (Freihe Demokratische Partei: FDP) and two large political movements: the CDU-CSU and the social democrats (Sozialistische Partei Deutschlands: SPD). Whereas the year 1980 witnessed the establishment of the Greens, the year 1990 saw the entry of the Party of German Socialism (Partei des deutschen Sozialismus: PDS). The PDS was the legal successor to the Socialist Unity Party which ruled East Germany until October 1990.

Despite these alterations in the West German party system, the CDU-CSU managed to gain a relative majority between 1982 and 1998 (see table 4.3). From 1998 to 2005, the SPD obtained most votes. In July 2005, the PDS formed an electoral alliance with the Labor and Social Justice Party, a leftist faction of dissident SPD politicians and trade unionists. The merged list was being called the Left Party (die Linke). Despite the fact that the 1994 elections resulted in the lowest number of votes for the CDU since 1949 and the party continued to lose votes afterwards, the CDU-CSU regained a relative majority in September 2005.
Table 4.2 Bundestag elections, 1983-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>CDU</th>
<th>CSU</th>
<th>SPD</th>
<th>FDP</th>
<th>Greens</th>
<th>PDS</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>38.2</td>
<td>10.6</td>
<td>38.2</td>
<td>7.0</td>
<td>5.6</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>1987</td>
<td>34.5</td>
<td>9.8</td>
<td>37.0</td>
<td>9.1</td>
<td>8.3</td>
<td>-</td>
<td>1.3</td>
</tr>
<tr>
<td>1990</td>
<td>36.7</td>
<td>7.1</td>
<td>33.5</td>
<td>11.0</td>
<td>3.8</td>
<td>2.3</td>
<td>4.3</td>
</tr>
<tr>
<td>1994</td>
<td>34.2</td>
<td>7.3</td>
<td>36.4</td>
<td>6.9</td>
<td>7.3</td>
<td>4.4</td>
<td>3.5</td>
</tr>
<tr>
<td>1998</td>
<td>28.4</td>
<td>6.7</td>
<td>40.9</td>
<td>6.2</td>
<td>6.7</td>
<td>5.1</td>
<td>6.0</td>
</tr>
<tr>
<td>2002</td>
<td>29.5</td>
<td>9.0</td>
<td>38.5</td>
<td>7.4</td>
<td>8.6</td>
<td>4.0</td>
<td>3.0</td>
</tr>
<tr>
<td>2005</td>
<td>27.8</td>
<td>7.4</td>
<td>34.2</td>
<td>9.8</td>
<td>8.1</td>
<td>8.7</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Notes: 1 The East German Greens competed with two parties and obtained 1.2 percent of the votes in December 1990. One party united with the West German Party into Bündnis 90 on the night after the 1990 election. After a prolonged negotiation process, the East German citizens’ movements, which had set up their own party, formally merged with Bündnis in May 1993 (Poguntke 1994: 209-210).
2 PDS and the Labor and Social Justice Party.

Sources: Lexikon für Christdemokratie in Deutschland (2003), Kornelius and Roth (2007).

The Netherlands

The Netherlands is a unitary, centralized state. Parliament is bicameral with a Lower House (Tweede Kamer) and an Upper House (Eerste Kamer). The Tweede Kamer is dominant and is elected by proportional representation. Formally, the Prime Minister has no dominant position in government, but is the primus inter pares (Woldendorp et al. 2000: 394).

Currently, ten parties are represented in the Tweede Kamer. Yet, in the period between 1918 and 1994, gaining office in the Netherlands was equivalent to cooperation with the Christian Democratic Party (Christian Democratisch Appèl: CDA) or its Christian predecessors. The three main parties are the CDA, PvdA (Partij van de Arbeid: Labour Party) and the VVD (Volkspartij voor Vrijheid en Democratie: Liberal Party). The year 1994 was historical: the CDA not only lost the most votes a Dutch party had ever lost, but also lost office to its traditional coalition partners and former arch-enemies, the VVD and the PvdA. During the 1998 elections, the CDA suffered another defeat and lost its position as the second largest party in parliament - which the VVD took over. In the 2002 elections, the CDA rose from its deathbed,
obtaining 27.9 percent of the votes and regaining its pivotal position. This left the PvdA and the VVD far behind. Undoubtedly the crucial aspect of the elections was the rapid rise of the right-wing populist List Pim Fortuyn (LPF). The 2003 elections, however, saw the equally rapid fall of the LPF. By contrast, the PvdA nearly doubled its electorate, rising from 15.1 percent to 27.2 percent of the votes. Furthermore, the VVD won somewhat. Nevertheless, the CDA consolidated its earlier electoral gains as well as its pivotal position in 2003. Though the CDA lost a few votes in 2006, the VVD and, in particular, the PvdA suffered more severe defeats. This enabled the CDA to remain in a pivotal position, while the Socialist Party has become an increasingly powerful contender for the PvdA since 1994.

Table 4.3 Tweede Kamer elections, 1982-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>CDA</th>
<th>PvdA</th>
<th>VVD</th>
<th>D66</th>
<th>Green Left</th>
<th>Socialist Party</th>
<th>LPF</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>29.3</td>
<td>30.4</td>
<td>23.1</td>
<td>4.3</td>
<td>4.6</td>
<td>-</td>
<td>-</td>
<td>8.3</td>
</tr>
<tr>
<td>1986</td>
<td>34.6</td>
<td>33.3</td>
<td>17.4</td>
<td>6.1</td>
<td>3.3</td>
<td>-</td>
<td>-</td>
<td>5.1</td>
</tr>
<tr>
<td>1989</td>
<td>35.3</td>
<td>31.9</td>
<td>14.6</td>
<td>7.9</td>
<td>4.1</td>
<td>-</td>
<td>-</td>
<td>6.2</td>
</tr>
<tr>
<td>1994</td>
<td>22.2</td>
<td>24.0</td>
<td>20.0</td>
<td>15.5</td>
<td>3.5</td>
<td>1.3</td>
<td>-</td>
<td>13.7²</td>
</tr>
<tr>
<td>1998</td>
<td>18.4</td>
<td>29.0</td>
<td>24.7</td>
<td>9.0</td>
<td>7.3</td>
<td>3.5</td>
<td>-</td>
<td>8.1³</td>
</tr>
<tr>
<td>2002</td>
<td>27.9</td>
<td>15.1</td>
<td>15.4</td>
<td>5.1</td>
<td>7.0</td>
<td>5.9</td>
<td>17.0</td>
<td>6.6</td>
</tr>
<tr>
<td>2003</td>
<td>28.6</td>
<td>27.2</td>
<td>17.9</td>
<td>4.0</td>
<td>5.1</td>
<td>6.3</td>
<td>5.6</td>
<td>5.3</td>
</tr>
<tr>
<td>2006</td>
<td>26.5</td>
<td>21.2</td>
<td>14.7</td>
<td>2.0</td>
<td>4.6</td>
<td>16.6</td>
<td>0.2</td>
<td>14.2</td>
</tr>
</tbody>
</table>

Notes: 1 The Radical People’s Party, the Dutch Communist Party, the Pacifist Socialist Party and the Evangelic People’s Party officially merged into Green Left on July 1, 1989. For the years 1982 and 1986, the votes of these four parties have been added together.
2 Preceding the 1994 elections, two elderly parties were established. These parties gained 4.5 percent of the votes.
3 The two elderly parties joined forces during the 1998 elections and managed to obtain 0.5 percent of the votes. However, this was not enough to secure a seat in parliament. From 2002 on, the elderly parties have not been represented anymore during elections.
4 In 2006, VVD parliamentarian Geert Wilders quit his party and established a right-wing populist party. The latter obtained 5.9 percent of the votes in the 2006 elections.

Source: Documentation Centre for Dutch Political Parties, various yearbooks.
4.2 Developments within the Electorate

Within electoral studies, there is an unusual degree of consensus that religion and social class have been the main predictors of voting behaviour in Western Europe during much of the golden age of the welfare state (Van Kersbergen 1999; Moschonas 2002; Knutsen 2006). Indeed, several studies support this claim for Austria (Jacobs 1989a; Pelinka 2005), Germany (Dalton 1984; Ritter and Niehuss 1991) and the Netherlands (Jacobs 1989b; Andeweg and Irwin 2005). The question rather seems to be to what extent religion and social class have lost their explanatory relevance, if at all. Solving such a major debate obviously goes beyond the purposes of this research. The attempt here is a more modest one which tries to analyze whether contextual challenges like de-industrialization, secularization and women’s emancipation are similar across time and space for the traditional welfare parties included in this study.

The New Composition of the Social Democratic Electorate

Table 4.4 portrays the degree in which certain groups vote for a social democratic party in Austria and Germany. By the late 1970s, workers were still clearly overrepresented. Afterwards, we see a more less similar decline in the two countries from about 60 percent in the late 1970s to just above 40 percent in 2002. This was not a linear process. Notably, 49 percent of all trade unionists and only 35 percent of the Austrian workers voted for the SPÖ in 1999 (Plasser et al 2000b: 80-1). Furthermore, a closer look at Germany indicates that the electoral penetration of the workforce is somewhat larger in West Germany than in East Germany, especially during the first elections of re-unified Germany in 1990. While similar data are lacking for the Netherlands, the general picture of a decrease in workforce loyalty seems verified since about 68 percent of all secular workers voted for the PvdA between 1956 and 1977. Afterwards, we witness a decline from 63 percent in 1989 to a mere 33 percent in 1998 (Van Wijnen 2001: 40-6). Hence, in all our countries workforce loyalty has declined to a great extent since the late 1970s, especially in Austria and the Netherlands.
Table 4.4 Social democratic electoral penetration according to socio-demographic groups in Austria and Germany, late 1970s-2002

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Germany</th>
<th>West Germany</th>
<th>East Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers</td>
<td>52 (65 in 1979)</td>
<td>41</td>
<td>60</td>
<td>44</td>
</tr>
<tr>
<td>Salaried middle strata</td>
<td>38</td>
<td>43</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>White-collar employees</td>
<td>43</td>
<td>33</td>
<td>25</td>
<td>41</td>
</tr>
<tr>
<td>Civil servants</td>
<td>40</td>
<td>39</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Self-employed</td>
<td>10</td>
<td>15</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Trade union members</td>
<td>62</td>
<td>62</td>
<td>52</td>
<td>53</td>
</tr>
<tr>
<td>Age ≥ 60**</td>
<td>47</td>
<td>42</td>
<td>32</td>
<td>38</td>
</tr>
</tbody>
</table>

For Germany in 1976, see Moschonas 2002: table 7.10. As to 1990, see Ritter and Niehuss 1991: table 3.10. As to 2002, see Kornelius and Roth 2007: tables 6 and 7.

Some have argued that the low level of Dutch class voting in the late 1990s can be partly explained by the fact that union density was low and had declined considerably (Dalton 2000; Knutsen 2006). Indeed, table 4.5 shows that the Netherlands has lower union density rates than Germany and, in particular, Austria. Moreover, table 4.4 has outlined that Austrian and German trade union members were somewhat more loyal than workers.
Table 4.5 Union density rates in Austria, Germany and the Netherlands, 1970-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Austria</th>
<th>Germany</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>62.8</td>
<td>32.0</td>
<td>36.5</td>
</tr>
<tr>
<td>1980</td>
<td>56.7</td>
<td>34.9</td>
<td>34.8</td>
</tr>
<tr>
<td>1990</td>
<td>46.9</td>
<td>31.2</td>
<td>24.3</td>
</tr>
<tr>
<td>1996</td>
<td>40.1</td>
<td>27.8</td>
<td>25.1</td>
</tr>
<tr>
<td>2002</td>
<td>35.4</td>
<td>23.2</td>
<td>22.4</td>
</tr>
</tbody>
</table>


Apart from a decline in workforce loyalty, social democratic parties are facing a shrinking working class. Table 4.6 shows the electoral importance of certain occupational groups for social democratic parties in Austria and Germany\textsuperscript{7}. The figures point at a decline in the electoral importance of workers from 60 percent in the late 1970s to 39 percent in Austria in 1995 and 46 percent in West Germany in 1990. In addition to the decline in workforce loyalty outlined above, this is related to de-industrialization (see table 4.7). Several scholars have argued that a comparatively low degree of industrial employment helps to explain the relatively low level of class voting in the Netherlands in the late 1990s (Nieuwbegra 1995; Knutsen 2006). By contrast, Austria and, in particular, Germany clearly have a stronger industrial base between 1980 and the early 2000s.

This is not to say that socio-economic developments fully explain levels of class voting. The Dutch and German pension chapters, for instance, highlight that, against a background of austerity and de-industrialization, pragmatic social ambitions of key social democratic politicians contributed to a decline in support from workers. In Austria, many workers were disappointed about social democratic achievements and increasingly supported the right-wing populist party by the late 1990s.

\textsuperscript{7} Unfortunately, comparable data are not available for the Netherlands.
Table 4.6 Social composition of the social democratic electorate in Austria and Germany, late 1970s-1995

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers</td>
<td>60</td>
<td>51</td>
</tr>
<tr>
<td>Salaried middle strata</td>
<td>25</td>
<td>37</td>
</tr>
<tr>
<td>Self-employed</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

* West Germany

**Source:** For Austria in 1978 and 1990, see Plasser and Ulram 1995: table 20b. As to 1995, see Moschonas 2002: table 7.16.
For Germany in 1976 and 1990, see Moschonas 2002: table 7.10.

Table 4.7 Industrial employment as percentage of the labor force, 1950-2003

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>37</td>
<td>42</td>
<td>41</td>
<td>40</td>
<td>37</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td>Germany</td>
<td>45</td>
<td>47</td>
<td>49</td>
<td>43</td>
<td>39</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>Netherlands</td>
<td>37</td>
<td>41</td>
<td>39</td>
<td>31</td>
<td>31</td>
<td>26</td>
<td>22</td>
</tr>
</tbody>
</table>

**Notes:** 1 Industry includes employment in mining and quarrying, manufacturing, electricity, gas and water, and construction.
2 Figures for Western Germany until 1990 and afterwards for re-united Germany.

**Sources:** For 1950 to 1995, see Lane and Ersson 1999: table 1.5. As to 2003, see Fassmann 2006: table 6 for Austria, Kornelius et al. 2005: table 9 for Germany and Andeweg and Irwin 2005: table 9.1 for the Netherlands.
The New Composition of the Christian Democratic Electorate

During welfare’s golden age, the Christian democratic electorate mirrored to a large degree the social and demographic structure of society. Probably these parties have been the least class-distinctive of all. Gradually, however, Christian democracy seems to have become more and more attached to the bourgeoisie and upper-income groups rather than to the secularizing working class while still attracting many religious voters, self-employed, and people considering themselves as middle-class (Van Kersbergen 1999; Alexandre and Jardin 2004).

In 1976, German Christian democracy represented the majority of Catholics, salaried middle strata and the self-employed. Afterwards, this moderated somewhat, but Catholics and the self-employed remain overrepresented (see table 4.8). However, the share of self-employed among the active population had declined from 28 percent in 1950 to 10 percent in 2002 (Kornelius et al 2005: 27). Furthermore, especially Catholics and Protestants that go to church have been loyal to the Christian democrats. In 1953, for instance, 40 percent of those voting CDU-CSU were Catholics that went to church, while 26 percent of its voters were Protestants attending church services. However, the former had reduced from 25 percent of the West German electorate in 1953 to 7 percent in 1998. Accordingly, this group accounted for merely 13 percent of the votes for the CDU-CSU in 1998 and 12 percent in 2005. In addition, the total number of Protestant churchgoers had been reduced to 2 percent by 2005. As such, not even the most loyal voters could prevent the electoral decline of the CDU-CSU (Wessels 2000: 146-8; Kornelius and Roth 2007: 54).

All available data point at a similar direction in the Netherlands: the CDA appeals predominantly to religious people and, more specifically, to those attending church regularly. Table 4.8 shows that in 1977 the party was supported by more than half of all Catholics and more than a third of all Protestants. Around two thirds of all Catholic people that went to church supported the CDA in 1977, 1989 and 2002. In addition, slightly more than half of all Protestants attending church services voted for the party throughout this period. However, the proportion of practising confessional voters structurally declined from 52 percent in 1956 to 33 percent in 1980 and 21 percent in 1998. The number of practising Catholics decreased from 30 percent in 1956 to 26 percent in 1977 and 10 percent in 1998. The proportion of practising
Reformed declined from 12 percent in 1956 to 9 percent in 1977 and 6 percent in 1998. Finally, the number of practicing Calvinists dropped from 10 percent in 1956 to 9 percent in 1977 and 5 percent in 1998 (Van Wijnen 1998: 56).

Apart from their religion and church attendance, CDA voters differ little from the average Dutch voter. However, between 1977 and 2002, they are slightly older, and identify somewhat less with workers while a majority of CDA voters consider themselves as middle-class (Irwin et al 1977; Holsteyn et al 1989; Irwin et al 2005).

The situation in Austria differs somewhat. Although the ÖVP attracts voters who are somewhat older and overrepresents the salaried middle strata, the share of workers voting for the party increased from 19 percent in 1990 to 34 percent in 2002 (table 8). As a consequence of de-industrialization, however, workers made up over a third of Christian democratic support in 1978, but less than a fourth in 1990 and less than a fifth in 1994 (Plasser et al 1995: table 21b). Furthermore, the ÖVP increased the level of support among the self-employed from 19 percent in 1990 to 34 percent in 2002, but the number of self-employed among the active population had actually declined from a fifth in 1951 to a tenth in 1990 (Müller 2000: table 4).

Like its Dutch and German sister parties, the ÖVP predominantly appealed to religious people and, in particular, to those attending church regularly. In 1990 and 1999, about 60 percent of all practising religious voters supported the ÖVP (table 4.8). In comparison to Germany and the Netherlands, however, tables 4.9 and 4.10 show that Austria is the country with the highest levels of religious affiliation and the highest numbers of church attendance. Moreover, it is the most homogenous society with over three quarters adhering to Catholicism in 1990 and 1999. These data even suggest that the Austrian society does not secularize at all, but at least with respect to church attendance levels this does not seem to be the case.
Table 4.8 Christian democratic electoral penetration according to socio-demographic groups

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th></th>
<th></th>
<th></th>
<th>Germany</th>
<th></th>
<th></th>
<th>Netherlands</th>
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<tbody>
<tr>
<td>Workers</td>
<td></td>
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<tr>
<td></td>
<td>19</td>
<td>34</td>
<td>Cat 57</td>
<td>Cat 52</td>
<td>29</td>
<td>37</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Prot 24</td>
<td></td>
<td>Prot 36</td>
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<tr>
<td>Salaried middle strata</td>
<td></td>
<td></td>
<td>Cat 67</td>
<td>Cat 55</td>
<td>30</td>
<td>36</td>
<td></td>
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<td></td>
<td>Prot 47</td>
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<td>Prot 34</td>
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<tr>
<td>White-collar employees</td>
<td>27</td>
<td>37</td>
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<tr>
<td>Civil servants</td>
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<td>30</td>
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<tr>
<td>Self-employed</td>
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<tr>
<td></td>
<td>51</td>
<td>60</td>
<td>Cat 76</td>
<td>Cat 72</td>
<td>44</td>
<td>51</td>
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<td></td>
<td>Prot 52</td>
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<tr>
<td>Trade union members</td>
<td>19</td>
<td>19 $^1$</td>
<td>35</td>
<td>37</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catholic</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>63</td>
<td>54</td>
<td>49</td>
<td>53 $^2$</td>
<td>55</td>
<td>Prot 36</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protestant</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>55</td>
<td>39</td>
<td>32</td>
<td>DR 32</td>
<td></td>
<td>Cal 72</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Practising religious</td>
<td>60</td>
<td>59 $^3$</td>
<td>Cat 82</td>
<td>Cat 75</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Cat 66</td>
<td></td>
<td>Cat 52</td>
<td></td>
<td>1989</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>DR 52</td>
<td></td>
<td>DR 54</td>
<td></td>
<td>Cat 72</td>
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<td></td>
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<tr>
<td></td>
<td>Cal 75</td>
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<td>Cal 60</td>
<td></td>
<td>DR 54</td>
<td></td>
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<tr>
<td></td>
<td>2002</td>
<td></td>
<td>2002</td>
<td></td>
<td>Cat 66</td>
<td></td>
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<td></td>
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<td>Cat 53</td>
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<td>Cat 43</td>
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<tr>
<td></td>
<td>Cal 43</td>
<td></td>
<td>Cal 43</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age $\geq 60$ $^4$</td>
<td>41</td>
<td>46</td>
<td>52</td>
<td>45</td>
<td>46</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Age $\geq 65$</td>
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</tr>
</tbody>
</table>

1 Cat refers to Catholic; Prot refers to Protestant; DR refers to Dutch Reformed and Cal refers to Calvinist.
2 West Germany
3 1999 figure
4 $\geq 65$ for the Netherlands


Table 4.9 Confessional structure¹

<table>
<thead>
<tr>
<th></th>
<th>Early 1970s²</th>
<th>1990</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cat</td>
<td>Prot</td>
<td>Non</td>
</tr>
<tr>
<td>Austria</td>
<td>76</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Germany</td>
<td>35</td>
<td>37</td>
<td>22</td>
</tr>
<tr>
<td>Germany West</td>
<td>49</td>
<td>45</td>
<td>4</td>
</tr>
<tr>
<td>Germany East</td>
<td>8</td>
<td>59</td>
<td>32</td>
</tr>
<tr>
<td>Netherlands</td>
<td>40</td>
<td>30</td>
<td>23</td>
</tr>
</tbody>
</table>

1 Columns denote estimates of percentages of the population adhering to different creeds as of the early 1970s. Cat stands for Catholics; Prot stands for Protestants; Non stands for non-religious groups.

2 1964 data for East Germany

Sources: For Germany, see FOWID (2006). For East Germany in 1964, see Ritter and Niehuss 1991: table 1.12. For the Netherlands in 1971, see Lane and Ersson (1999: table 2.3). For Austria, East Germany, West Germany and the Netherlands in 1990 and 1999, see World Value Surveys.

Table 4.10 Church attendance

<table>
<thead>
<tr>
<th></th>
<th>Weekly</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1960s (1)</td>
<td>1978 (2)</td>
</tr>
<tr>
<td>Austria</td>
<td>38</td>
<td>32</td>
</tr>
<tr>
<td>Germany West</td>
<td>27</td>
<td>23</td>
</tr>
<tr>
<td>Germany East</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>42</td>
<td>43</td>
</tr>
</tbody>
</table>

Sources: (1, 2) Lane and Ersson 1999: table 2.7; (3, 4) World Value Surveys.
Thus far, we have seen that not even the most loyal religious voters could prevent the electoral decline of the CDA and the CDU-CSU by the mid-1990s. To say the least, German unification did not counterbalance this development. Tables 4.9 and 4.10 show that eastern Germans were considerably less religious than western Germans in 1990 and 1999. At the same time, unification implied the political entry of people raised in a country with the lowest numbers of church attendance and the highest levels of women’s emancipation in comparison to Austria, the Netherlands and West Germany.

The previous chapter has shown that female labor market participation rates did not differ much between Austria, Germany and the Netherlands since the late 1980s. However, in 1990, 82 percent of the eastern German women aged 15 to 65 were employed, while this figure was 56 percent in West Germany. In 2000, these figures were 72 percent and 62 percent, respectively (sozialpolitik-aktuell.de). These data thus not only point at an increase in women’s emancipation on the western German labor market, but also at a decrease in East Germany. The latter can largely be explained by the collapse of both the Eastern German labor market and former socialist child care facilities (Meyer and Schulze 1998; Hank et al 2001).

Opinions on women’s labor market positions also differ between the two Germanys. In 2000, for instance, 54 percent of all eastern German women employed part time noted that they had accepted this while full time jobs were not available. By contrast, only 6 percent of their Western German counterparts shared this opinion (Winkler 2001: 167). Moreover, table 4.11 portrays the percentages of respondents agreeing with claims on work and family. The statement that husband and wife should both contribute to income indicates a lack of support for the male breadwinner model. This claim clearly received the least support in Eastern Germany, while respondents in the other countries, especially in the Netherlands, had increasingly converged towards the Eastern German view by 1999. In addition, the view that a pre-school child suffers with a working mother indicates that working mothers are “bad” mothers. Here, most East Germans and, to a somewhat lesser extent, most Dutch respondents disagree by 1999. By contrast, around 70 percent of the Austrians and West Germans agree in 1999.
Table 4.11 Percentages of respondents agreeing with claims on work and family life, 1990-1999

<table>
<thead>
<tr>
<th></th>
<th>West</th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Husband and wife should both</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contribute to income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>66</td>
<td>29</td>
</tr>
<tr>
<td>1999</td>
<td>67</td>
<td>81</td>
</tr>
<tr>
<td>Pre-school child suffers with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>working mother</td>
<td>79</td>
<td>61</td>
</tr>
<tr>
<td>1990</td>
<td>74</td>
<td>34</td>
</tr>
<tr>
<td>1999</td>
<td>80</td>
<td>45</td>
</tr>
</tbody>
</table>


4.3 Conclusion

As section 3.2 had already outlined the contextual challenge posed by austerity, this chapter took a closer look at some other contextual challenges faced by social democracy and Christian democracy in Austria, Germany and the Netherlands. My central proposition on pensions posed that a coalition of pragmatists is likely to become dominant within a traditional welfare party against a background of austerity, de-industrialization and secularization. In comparison to Germany and Austria, Dutch parties were ahead in time in coping with a situation of austerity (since the late 1970s), de-industrialization and secularization. Moreover, Dutch parties were facing more severe austerity until the late 1980s, and Dutch society remains more de-industrialized and secularized than the German and Austrian societies. Accordingly, pragmatists are likely to become dominant in the Netherlands first, if anywhere.

To turn to the proposition on family policy, I assume that a coalition of equal right supporters is likely to become dominant within a Christian democratic party against a background of secularization and women’s emancipation. Whereas secularization and women’s emancipation had been an ongoing process in the Netherlands since the mid-1960s, it accelerated from the early 1980s on. In Western Germany, both secularization and women’s emancipation increased since the early 1990s. Moreover, unification implied the political entry of people raised in eastern Germany, a country with the lowest numbers of church attendance and the highest levels of women’s emancipation in comparison to Austria, the Netherlands and
Western Germany. By contrast, both secularization and women’s emancipation occurred at a slow pace and too a much lesser degree in Austria than in the other countries. In other words, the ÖVP faced smaller contextual challenges in family policy than the CDA and the CDU-CSU. As such, famialists are likely to remain dominant within the ÖVP, if anywhere.
5 The Declining Importance of Party Politics as We Knew It

The research design pointed out that Austria, the Netherlands and Germany are most similar in several theoretically relevant aspects. They are said to belong to continental welfare states, are governed by coalition governments, have party systems with strong Christian democratic and social democratic parties, and they are all EMU members.

This chapter focuses on pensions and family policy. It examines a) if developments within the countries’ actually look alike; b) if parties behave in line with my ideal types (see section 2.1) during the golden age of the welfare state and c) whether these ideal types shed light on reform trajectories after the golden age.

As to pensions, the ideal types derived from power resource theory lead us to expect that social democrats promote earnings equality via a welfare state with high transfers, high services and universal social rights. The state is the preferred management or regulatory structure. Furthermore, Christian democrats are assumed to maintain income differences via a welfare state with high transfers, low services and status-based entitlements. The social partners are the preferred actors to manage or regulate the system with a secondary role for the state. Finally, I expect that liberals support equality of opportunity via a welfare state with low transfers, low services and means-tested entitlements. The market is the preferred way of managing or regulating.

 Regards family policy, I expect that social democrats support equality of opportunity for women via the provision of social services, whereas Christian democrats promote the traditional family ideal and liberals wish to interfere as little as possible in private spheres.

The chapter is structured as follows. Three country sections discuss welfare state developments in Austria, Germany and the Netherlands, respectively. Each country section starts with a brief overview of welfare politics in general and pension politics in particular from 1945 to 2006. Afterwards, I turn to family politics. For reasons of space, only the basic reform trajectories are discussed here. The country chapters on pensions and family policy provide detailed overviews of reforms since the early 1980s that further support this chapter’s judgments of reform trajectories. Finally, in the fourth section, I compare the basic reform agendas in pensions and family policy across the three countries from the early 1980s on.
5.1 Austria

5.1.1 Pension Politics since the Golden Age

The developmental trajectory of the Austrian welfare state was crucially shaped by Christian democratic and social democratic orientations as well as power bases. In agreement with my ideal types, the Austrian People’s Party (ÖVP), a Christian democratic party in a virtually homogeneous Catholic society, emphasized status maintenance and subsidiarity. The Austrian Socialist Party (SPÖ) favored earnings equality via universal and generous social policy. The strength of the Christian democrats in the early postwar period, combined with the existence of policy legacies of a fragmented welfare system, led to an employment-based welfare state with diverging schemes for various occupational groups. Under pressure from the SPÖ, with the support of the main trade union federation (ÖGB), rules and benefits in the different schemes, especially for blue- and white-collar workers, were gradually made more equal (Huber and Stephens 2001: 156).

The ÖVP won a narrow absolute majority of seats in 1945, but formed a government with the SPÖ. The Grand Coalition between the ÖVP and the SPÖ would last until 1966. This period witnessed the foundation of the welfare state and the institutionalization of co-operation among the social partners. Although the peak associations of labor and capital were formally non-partisan, the ÖGB and the Chamber of Labor both functionally and personally allied with the ÖGB. As to the ÖVP, there was a considerable overlap between the leaders and functionaries of the Economic Chamber (unifying employers and self-employed) and the Office of the Austrian Chambers of Agriculture. Moreover, the Christian democratic trade union faction obtained a minority position in the Chamber of Labor and the ÖGB, but dominated the Union of Civil Servants (Pelinka 2005).

In social policy, the ÖVP attempted to re-establish the former system with different schemes and different insurance carriers for different groups. The SPÖ tried to centralize and unify the former system in order for blue-collar workers to have the same rights as white-collar workers, and the party wanted to introduce a citizenship pension that would also include civil servants and the self-employed. The preliminary outcome of government negotiations on social policy was the 1947 transition legislation that established several insurance carriers for different occupational groups.
and re-established corporatist self-administration. In subsequent years, social insurance benefits were gradually raised, as the economic situation improved, and important steps were taken towards harmonization between blue- and white-collar workers (Huber and Stephens 2001: 157).

The next important step in the development of the welfare state was legislation that harmonized several rules regarding sickness, disability and pension insurance in 1955. The unification was the outcome of intense negotiations inside the government set on the agenda by the SPÖ in general and the SPÖ social minister in particular. The latter is also a key example of the close ties between the ÖGB and the SPÖ, since the minister simultaneously was the ÖGB vice-chairman and chairman of the SPÖ’s trade union faction. The insurance carriers were left unchanged, but rights and benefits of blue- and white-collar workers were largely unified. Pensions were adjusted to past earnings instead of contributions (ibid: 158). Subsequent reforms moved the insurance system toward greater inclusiveness, particularly among the self-employed – as demanded by their representatives in the ÖVP (Stockinger 1995: 385). Moreover, reforms established greater equalization amongst insurance funds and greater generosity. An important step concerned the introduction in 1965 of an annual adjustment of pensions and other forms of social insurance to wage developments (Tálos 1988: 253; Huber and Stephens 2001: 158).

In short, the ÖVP and SPÖ behaved in line with the ideal types and the Austrian welfare state came to reflect their preferences. According to Obinger, the drive to greater inclusiveness was largely a result of party competition between two major welfare state parties. Increased benefits for blue-collar workers (a key social democratic constituency) were accompanied by increased entitlements for the ÖVP clientele, like farmers or civil servants (Obinger 2005: 205).

There were no really major departures from my ideal types during the periods of rule by the ÖVP alone (1966-70) and the SPÖ alone (1970-83). For instance, Christian democratic representatives of agrarians managed to integrate farmers in the social insurance system in 1969 (Stockinger 1995: 185). Moreover, we shall see below that the ÖVP government introduced and expanded regulations supporting families. Hence, it fully confirmed to the male breadwinner model.
Between 1970 and 1983, the SPÖ opted for a further expansion of the welfare state, together with investments in public industry and social services for women. When economic and budgetary challenges increased by the mid-1970s, the fight against unemployment became the government’s central goal. This was popularized in chancellor Kreisky’s claim that he ‘would rather have a few billions of debts than a few thousand additional unemployed’ (in Müller 1995: 360). In pensions, the SPÖ improved benefits for lower income groups, and introduced early retirement schemes and additional qualifying periods, that is, periods of unemployment, sickness, motherhood, study and military service (Tálos 1988: 256-7).

From 1983 until 1996, power resource theory sheds quite some light on pension reform in Austria. Between 1983 and 1986, the SPÖ formed a government with the FPÖ (right-wing populists) and pension reforms remained limited to a few small cuts (Schulze and Schludi 2007). In order to strengthen the financial base of social insurance, contributions were raised (Huber and Stephens 2001: 275). Moreover, cuts and higher contributions were combined with an expansion of active labor market policies and an improvement in unemployment benefits (Tálos 1995). The latter made unemployment benefits a more attractive early retirement option. After 1986, the SPÖ-ÖVP government basically continued the policy course of small cuts combined with some expansions of early pensions and active labor market policies. There were even some new programs introduced like early retirement for those with a reduced working ability and pension credits for periods of child care.

More extensive cuts were proposed by 1995. Though these retrenchments failed, quite a number of cutbacks was implemented in 1996 and 1997. Whereas analysts agree that retrenchment went somewhat beyond previous reforms, it was once again complemented with expansion (Obinger 2002; Schludi 2005). For instance, early retirement benefits would decline by 2 percent a year up to a maximum of 10 percent from 2000 on. At the same time, the qualifying period for a full pension was actually made more generous as it shrunk from 45 to 40 years. Furthermore, the reform packages of 1996 and 1997 were the first that limited benefits for relatively advantaged occupational groups in general and civil servants in particular. But expansions such as a shorter qualifying period also applied to civil servants, thereby reducing the impact of the cuts. All in all, country specialists conclude that the impact
of the reform efforts of the SPÖ-ÖVP governments was limited, especially until 1996, with very modest changes that did not fundamentally alter the overall structure of the public pension system (Obinger and Tálos 2006; Schulze and Schludi 2007).

However, once the ÖVP joined forces with the FPÖ in January 2000, scholars identify a fundamental overhaul of the Austrian pension system (ibid). The new coalition clearly had a much stronger orientation towards market-liberalism. On the one hand, private pension schemes were introduced and promoted via tax advantages. On the other, the government created a uniform pension system which passed through ‘the most severe pension retrenchment in Austrian history’ to the entire population (Obinger 2005: 217). For example, old age benefits were adjusted in line with developments in life-expectancy and early pensions were fully abolished. Moreover, the decision to calculate pensions based on a full employment record rather than the 15 years of highest earnings was equivalent to a benefit cut of upto 30 percent (ibid: 218). Simultaneously, investments in active labor market policies were scaled back. Yet, there were also some expansions of child-credits and benefits for manual workers and lower-income groups.

5.1.2 Family Politics since the Golden Age

In the early post-World War II period, women’s labor force participation was comparatively high in Austria. Afterwards, it increased very slowly and was among the lowest in Europe in the 1970s. The explanation for the initially high levels partly lies in the size of the agricultural sector. By 1951, 44 percent of all employed women still worked in agriculture, a proportion that was to decline by half in 1971 (Huber and Stephens 2001: 158-9). Throughout this period, farmers were particularly loyal to the Catholic church and the ÖVP (Müller and Ulram 1995: 149-51). Under ‘conservative hegemony’ (until the late 1960s), family policy fully conformed to the male breadwinner model (Wintersberger 2006: 212; cf. Rosenberger 1997: 692). This is in agreement with the ideal-typical expectation that Christian democrats support the traditional family. Within the ÖVP, Catholics set the agenda in family policy (Schausberger 1995; Weiler 1995). Between 1945 and 1952, for instance, a strict Catholic ÖVP education minister was responsible for a lack of expansion in child care, despite opposition from both the SPÖ and social-liberal politicians within his own party (Schausberger 1995: 232).
In 1948, the ÖVP-SPÖ government introduced family allowances on a provisional basis. By 1955, a constitutional amendment finally assigned legislative power in matters of family support to the federal government. In the same year, family allowances were restructured and extended to the self-employed. Afterwards, the government agreed upon new programs like family allowances, maternity leave and long-term care allowances (Obinger 2005: 202). Once the coalition parties negotiated maternity leave in 1961, they clearly had different priorities. The ÖVP preferred a ‘maternity holiday’ to represent the interests of the child, while the SPÖ insisted on dismissal protection for mothers (Rosenberger 1997: 696).

As the ÖVP governed alone (1966-70), it was the first to assign a female (social) minister. Amongst other things, she was responsible for incorporating all previous regulations on support for families into new legislation, including a universal birth allowance and a universal allowance for children. However, the minister, inspired by the Catholic social doctrine, had rather conservative views on work and family life. Hence, she was not critical about the dominant line of patriarchal thinking within her own party. By contrast, she argued that women should retreat from employment and return to the family (Steininger 1995: 480-3). As such, it is no surprise that the ÖVP government did not modify the male breadwinner model (Huber and Stephens 2001: 158-9).

At the policy level, a new period arrived once the SPÖ came to govern alone between 1969 and 1983. By the late 1960s, an autonomous women’s movement had emerged. Simultaneously, feminist tendencies in the SPÖ’s women’s organization had asserted themselves (Etzersdorfer 1995: 248; Huber and Stephens 2001: 159). The 1970s then were a decade of emerging challenges to the traditional gender model. In line with the ideal types, the social democratic government passed legislation that embraced equality of opportunity for individual family members (Rosenberger 1997: 692; Wintersberger 2006: 212). In 1973, the SPÖ introduced individual taxation. A year later, social democrats extended paid maternity leave to six weeks and enabled additional leave with a flat-rate benefit rather than a means-tested benefit. During the same year, abortion laws were liberalized. In 1975, new legislation changed authority relations in the family towards an individual arrangement. In 1979, the office of under-minister for women’s affairs was created and a law on equal treatment in wage setting was passed (Huber and Stephens 2001: 159; Rosenberger 2006: 747).
Nonetheless, support for equal rights could not be taken for granted. Though the most vehement resistance came from the ÖVP and ÖVP-affiliated family associations, female SPÖ politicians and ÖGB women’s groups also faced opposition from within their own ranks. However, SPÖ women could convincingly argue that their party needed the support and, in particular, the votes from women’s movements in order to remain the dominant party (Rosenberger 2006: 747).

*Family Politics after the Golden Age*

A further move in the direction of equal rights went slowly as the social democrats were in a coalition with the Christian democrats from 1986 to 1999. In fact, the SPÖ had to strike compromises to accommodate the ÖVP’s commitment to the male breadwinner ideal. This is clearly visible in the government’s three major efforts to address family policy, that is, the “family packages” of 1989, 1992 and 1999. These were packages precisely because they contained reforms each of which in isolation would have been unacceptable to one or another of the government parties (Huber and Stephens 2001: 275). Amongst other things, the SPÖ managed to introduce parental leave for working parents in 1989 (Stranzinger 1995: 151). Yet, parental leave for employed parents clearly went against the ÖVP’s demands to establish arrangements for all parents, including those without a work history (ÖVP 1986: 2; Schattovits 1991: 402-3). All in all, an expansion of transfers was the lowest common denominator in family policy during the reign of the grand coalition, but even here orientations diverged as the SPÖ focused on lower income groups while the ÖVP supported families in general (Obinger and Tálos 2006: 159).

By contrast, the ÖVP and the FPÖ understood one another well in the sphere of family policy. Both saw the traditional family as their central focus in family policy. Accordingly, the moment the two parties joined forces in government in 2000 implied a strong move towards the male breadwinner ideal. In family policy, the central action was the introduction of a more generous and universal parental leave scheme, that is, independent of labor market participation. Furthermore, measures involved expansions in transfers for large families and the introduction of both child benefits and tax advantages for families with a single earner. With respect to the latter two, the other partner was allowed to earn € 6,000 per year. However, if this is exceeded, a family no longer is entitled. Hence, the measures supported a specific
family model of a male wage earner and a female partner who is employed for not more than a week per month (Angelo et al 2006: 63-4; Obinger and Tálos 2006: 176).

5.2 Germany

5.2.1 Pension Politics since the Golden Age

Like its counterpart in Austria, the German welfare state was shaped by both Christian democratic and social democratic orientations, and power bases. Party competition between the Social Democratic Party (SPD) and the Christian Democratic Union/Christian Social Union (CDU/CSU) as well as the efforts of the German Union Confederation (DGB), the German White Collar Employee’s Union (DAG), the main employer association (BDA) and private service providers to shape social policy in such a way as to promote and defend the interests of their members. Existing policy legacies were relevant to the extent that certain groups, especially civil servants and white collar employees, were used to having their separate privileged schemes and demanded no less from postwar social security. However, if the DGB had been stronger and the SPD would have won the 1949 elections, social security would have been reformed and given a much more universalistic and solidaristic character.

After the CDU/CSU had defeated the SPD in the 1949 elections, the German welfare state came to reflect the political predominance of the CDU/CSU, in coalition with the Liberal Party (FDP) and a small conservative party, in its critical formative years, but also the consistent pressures from the SPD and the trade unions, and the presence of an employees’ faction in the CDU (the CDA). The CDA proved to be a crucial electoral asset for the CDU and, in addition to divisions between the DGB and the DAG, contributed to the failure of labor and the left to muster their political strength.

The new welfare state then came to be squarely based on pre-Nazi structures, with different insurance schemes for different occupational categories, and administration by trade unionists and employer representatives. From this moment on until the early 1970s, efforts at major pension reform from the DGB and the SPD aimed at the unification of different occupational schemes, especially equalization of

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8 Unless indicated otherwise, this section draws on an excellent historical overview by Huber and Stephens (2001: 146-56).
benefits for blue- and white-collar workers, redistribution through including high-income earners in the compulsory programs, a flat-rate pension, and benefit improvements. These efforts were defeated time and again due to the minority political position of the SPD and the resistance from groups with vested interests. However, the efforts did stimulate the CDU/CSU to respond with their own reform plans to improve pension benefits and gradually equalize pension benefits for blue- and white-collar workers. Indeed, there was a strong pro-labor, pro-welfare state faction within the CDU, but the development of a CDU/CSU plan for significant reform of social security was blocked by internal disagreements. After a considerable fight, the candidate of the labor faction - who was labeled a ‘hidden socialist’ by his internal opponents - won the appointment as minister of labor and social affairs (Szmula 2001: 685). Nevertheless, his deputy and other key officials were opponents of significant reform. Furthermore, the ministry also remained understaffed until 1954-55, so that a serious major reform proposal did not get under way until then. Finally, the Christian democratic finance minister opposed most reform proposals due to their assumed negative impact on the economy.

Until the big pension reform of 1957, the SPD and the labor minister proposed pension increases which, apart from 1951 and 1954, were rejected by the finance minister. Only when the SPD presented its own proposals for pension increases was the legislation proposed by the labor minister accepted. By 1955, Adenauer, who was both chancellor and the CDU’s party leader, felt compelled to get personally involved in social security reform. Moreover, action had been forced by an SPD parliamentary initiative that demanded extra pension payments until a reform was passed. This and the demands by Adenauer enabled the labor ministry and the CDA to successfully push for pension reform. By the beginning of 1956, Adenauer endorsed pension reforms that guaranteed to maintain status differences reached during the working years, and his opinion had great influence on opinion formation within the government parties. A few months later, the SPD, taking up demands by the DGB, presented a major proposal for pension reform. This triggered a response from the labor ministry.

In the political maneuvering over pension reform the labor minister and the left wing of the CDU/CSU sought compromises with the SPD. On its part, the SPD

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9 For an extensive historical account of the 1957 pension reform, see the fascinating study by Hockerts (1980).
wanted to prevent the reform from being blocked within the government and wanted to prove that the party was responsible and capable to govern. Hence, the SPD dropped its demand for a basic flat-rate pension, and instead asked for a minimum pension. According to Nullmeier and Rüb, the final legislation was a compromise between the CDA, the labor ministry and the SPD that received support from the chancellor. The reform brought a major increase in the real value of pensions, a transition from the funded to a pay-as-you system, separate legislation for blue- and white-collar workers but with similar provisions, a high but fixed income that excluded less than 4 percent of the workforce, and annual but not automatic adjustment to wage developments. This was the maximum that the by then dominant group within the CDU, the CDA, could push for against the demands of the CDU’s employer wing and the FDP. In the end, both CDU/CSU and SPD again unanimously supported the legislation, despite preceding battles between the two parties and within the CDU.

It is important to note here that a context of economic growth and full (to a large degree industrial) employment strengthened the position of the CDA within the CDU. Furthermore, the heyday of the patriarchal family with more than two children supported Adenauer’s conviction that ‘people will always have children’. As such, the Chancellor deemed it unnecessary to promote funding and elements of family policy within the pension system (Nullmeier and Rüb 1993: 347, 403-9).

As to other domains of social policy, the year 1957 also witnessed a major increase in sickness benefits for blue-collar workers. This was triggered by a major regional strike of the DGB. After the reforms of 1957 there was a long period of only gradual increases in social policy. Especially the area of social services remained underdeveloped. The next big wave of reforms came under the 1966-69 Grand Coalition and the 1969-82 SPD-FDP governments. Most of the reforms under the Grand Coalition were triggered by conjunctural economic difficulties. This is particularly true for the abolition of income ceilings for pensions and unemployment benefits as well as the unification of pension schemes for blue- and white-collar workers to balance their financial reserves. Nonetheless, the effect of these measures was to weaken the privileged position of white-collar employees in social security, an aim not only continuously pursued by the DGB and the SPD but also supported by the CDA. The economic challenges and the consequent need for union co-operation in corporatist action also strengthened the position of the SPD within the Grand
Coalition in pushing through active labor market policies in the field of unemployment insurance.

The SPD-FDP government formed in 1969 presented significant reform proposals for social policy. Nassmacher argues that the FDP left this domain by and large to the SPD, in part because its own constituencies benefited from the expansion of social security, and in part because the FDP could prevent a greater role of public agencies in administrating pensions. The 1972 pension reform is a case in point. This reform introduced voluntary coverage for the self-employed as well as voluntary coverage for housewives. Furthermore, the SPD’s long standing demands for greater redistribution were met by the introduction of a minimum pension, albeit only for people with a contribution record of at least 25 years. The most important part of the 1972 pension reform in the long run turned out to be the introduction of early retirement at age 63. The background of the SPD labor minister as a trade union representative of a group of workers threatened by de-industrialization, helps to explain why he was a fierce advocate of the scheme. The minister benefited from the fact that the CDU supported the introduction of the scheme and the 1972 reform in general (Nassmacher 2001: 107). This was not only due to the support of the CDA but also due to the timing of the popular reform, i.e. just before the federal elections of 1972. Instead, the business wing of the CDU, the BDA and the FDP had already been rather skeptical about early retirement by then (Nullmeier and Rüb 1993: 332). Under conditions of rising unemployment it came to be increasingly used as a tool to shed off older workers, as will be discussed in the next chapter. Suffices it to note here that several social benefits were improved during the early 1970s, such as health insurance benefits and leave rights for working parents. Thus, in line with the ideal types, the German welfare state was on its way to having more social democratic elements grafted onto the Christian democratic-corporatist structure. However, before reforms could go further, economic challenges of the mid-1970s intervened and put the issue of budget consolidation in the center of debates within the SPD.

**Pension Politics after the Golden Age**

A certain reorientation of the SPD’s approach to social policy started after the party’s former finance minister, Helmut Schmid, became chancellor. Budget consolidation had now become a more central goal. The first signs of unsustainable pension costs
could already be seen by then. Already in 1975, for instance, pension expenditures exceeded revenues. Future financing difficulties had been severely underestimated by the former labor minister but the economic recession certainly acted as a catalyst. During government negotiations with the FDP, representatives of the SPD promised that their party’s election pledge to continue increasing pensions was to be replaced by a freeze of 6 months and a calculation formula switching from gross wages to net wages. This led the former SPD labor minister to refrain from another term (Nassmacher 2001: 106). He was succeeded by a colleague within his party and the DGB who was willing to implement the unpopular ‘election lie’ against his own left-Keynesian convictions (Rudzio and Reyelt 2001: 218-9). In addition, some health insurance benefits were reduced and controls on recipients of unemployment benefits were tightened (Huber and Stephens 2001: 265).

Yet, many scholars have argued that the core of the welfare state remained untouched until the mid-1990s (e.g. Zohlnhöfer 2001a). In fact, the pension scheme was portrayed as the typical example of a very moderate change in policy direction (Schmid 1998; Schmidt 1998). Like the preceding SPD-FDP government in its final years, the Christian-liberal coalition also pursued various retrenchments during the first few years in office, but of a somewhat greater magnitude. In general, pensions were less affected than unemployment benefits (Huber and Stephens 2001: 266; Clasen 2005: 195-210). Moreover, the government made it possible to retire at age 58 in 1984. From the mid-1980s on, the government turned towards expansion and structural reforms (Aust et al. 2002: 4). As to expansion, two key examples concern the promotion of status maintenance of male breadwinners and female housewives by improving entitlements for elderly male unemployed in a variety of ways and by increasing family transfers, including the introduction of pension credits for all mothers (Clasen 2005: 195-210). To turn to structural reforms, the two most notable examples are the 1988 healthcare reform and the ‘1992 pension reform’ adopted in 1989 (Aust et al. 2002: 4). Both were aimed at safeguarding existing systems rather than radical change (Schmid 1998: 97). As such, they were accompanied by minor cuts and some expansions. Furthermore, during the early 1990s, the Christian-liberal government extended social insurance to all citizens of the former Eastern Germany. Just as in the 1980s, the coalition parties also invested in active labor market policies to fight unemployment.
Since the mid-1990s, the government changed course and implemented several cutbacks. Most notably, early retirement ages for workers receiving unemployment benefits were raised, disability pensions retrenched and a so-called demographic factor was added to the pension formula. The latter reduced the replacement of a standard pension from 70 percent to 64 percent. Yet, the Christian-liberal coalition continued to invest in active labor market policies and further expanded child credits (Ney 2001). Moreover, by late 1998 the SPD had formed a cabinet with the Greens and rapidly retracted several welfare cuts that had been implemented by the previous government. These included the demographic factor, retrenchments of disability pensions, the cut in sick pay and the liberalization of dismissal law.

From 1999 to 2005, however, the SPD-green government suddenly opted for a more market-liberal pension reform agenda than their Christian-liberal predecessor. In 1999, for instance, the government switched to consumer price indexation. This actually exceeded the impact of the retracted demographic factor (Schludi 2005: 147). Likewise, the 2001 reform package entailed more severe cuts than under the previous government (Aust et al 2002: 12). At least as importantly, the red-green coalition also moved away from my social democratic ideal type towards the liberal one by creating a means-tested basic pension and an additional private pension in 2001. The latter was promoted by tax incentives which were further stimulated during the government’s second term. What is more, the government implemented more extensive welfare cuts in 2003 and 2004 than the Christian-liberal coalition had done in 16 years time (Trampusch 2005: 18). Amongst other things, the eligibility age for elderly unemployed was raised from 60 to 63. Furthermore, the maximum period for receipt of unemployment benefits for workers aged 55 or older was reduced from 32 to 18 months. Moreover, the SPD-Green coalition re-introduced a demographic component in pension indexation. This was more effective than the one that had been retracted by the same government in 1999. In fact, it was expected to decrease the standard replacement rate by 17 percent between 2005 and 2030 (Hinrichs 2005: 19).

Nonetheless, there are also some exceptions to the rule of market-liberalism. Notably, the government invested in active labor market policies for the elderly and pension credits for parents working part-time.
In a comparative perspective, women’s labor force participation was relatively high with 35 percent in 1950. The United States, for instance, had a figure of 29 percent by then. The German figure was largely a result of the reconstruction effort, but from there it increased very slowly to 51 percent in 1980, compared to 60 percent in the United States (Huber and Stephens 2001: 136-7, 152). Particularly Catholics and Protestants that go to church have been loyal to the CDU-CSU over time. In 1953, for instance, 40 percent of those voting CDU-CSU were Catholics that went to church, while 26 percent of its voters were Protestants attending church services (Kornelius and Roth 2007: 54).

After the CDU/CSU had defeated the SPD in the 1949 elections, German family policy came to reflect the political predominance of the CDU-CSU, in coalition with the Liberal Party (FDP) and a small conservative party, but also the consistent pressures from Christian family associations, and the presence of an employees’ faction in the CDU (the CDA). As will be shown below, this policy put great emphasis on the male breadwinner model and women’s responsibility to care at home, and it allowed massive discrimination against women in the labor market (ibid: 153). This is in agreement with the ideal-typical expectation that Christian democrats support the traditional family.

The first measure in the field of family policy – a tax allowance for each child - had been implemented by the Christian democratic minister of labor with the support of the CDA. By then, the establishment of a ministry of family affairs had proven impossible due to vehement opposition by both a coalition partner, the FDP, and the main opposition party, the SPD. Apart from the political sensitivity of population policy just after the Nazi-period, the FDP and the SPD feared that Christian democrats would promote their patriarchal family ideal. However, demands from Christian family associations led chancellor Adenauer to install a family ministry in 1953. The minister, a strict Catholic, obtained a ministry with few resources. Nevertheless, he managed to shape German family policy substantially in its critical formative years.

The minister was a strong supporter of families with many children. In line with his conservative family ideal, he perceived female labor market participation as an act of irresponsibility which could only be explained, but not justified, by women’s
preference to consume. Accordingly, the minister introduced tax advantages for non-working women and child benefits to refrain women from participating in the labor market (Gerlach 2001a; Gerlach 2004: 151-7). The latter were continuously increased by the minister and his two Catholic CDU successors. Furthermore, the minister, his successors and the CDU-CSU in general vehemently opposed to expand child care due to the danger of eroding the traditional family (Gerlach 2004: 151-9).

As to the SPD, some highlight that the party continuously remained very skeptical about patriarchal family policy (Gerlach 2001b: 698) and that it formally included the goal of gender equality in its 1959 program of principles (Bothfeld 2005: 164). Nonetheless, most representatives of the trade unions and the SPD took the view that women should only work in case of economic necessity (Huber and Stephens 2001: 153; Bothfeld 2005: 164). The position of the SPD has to be understood in the context of the Cold War, as an effort to distinguish itself from East German communism that promoted the integration of women into the labor market. It was only in the late 1960s that a new independent feminist movement emerged that pushed for women’s equality. Simultaneously, an increasing number of women in the SPD with clearly feminist positions advocated fiercely for gender equality (Huber and Stephens 2001: 153). In 1972, this resulted in the foundation of the women’s organization.

At the policy level, a new period arrived once the SPD came to power and formed a government with the FDP between 1969 and 1982. Instead of supporting the family as an institution, the government now opted for equality of opportunity for individual family members (Gerlach 2004: 160). For instance, the social-liberal coalition abolished the child tax allowance, which had primarily benefited upper income parents. At the same time, the government introduced a child allowance for the first child, and substantially increased this allowance and the allowances for additional children (Bleses and Seeleib-Kaiser 2004: 79). Furthermore, for the first time in the postwar period, public child care was expanded from the early 1970s on (Bothfeld 2005: 175; Leitner 2007: 317). Finally, in 1979 paid maternity paid maternity leave was introduced for working mothers, for a period of six months. The law passed against the demand of the CDU-CSU to provide maternity leave for all mothers (Bleses and Rose 1998: 248-57). The underlying normative justification of this resistance by most Christian democratic politicians is best illustrated by the following quote of a CDU member of the Bundestag, ‘Do you (the SPD: author’s
information) seriously believe that there is someone who can replace the mother? The best person to do this (raise children: author’s information) surely is the women who gave birth to the child… Love… should be provided at least six to eight hours per day. But how can a working mother, who returns to work after six months, have this time for her child?’ (ibid: 251).

Apart from this famialistic discourse, another factor slowing down the rise of the feminist movement outside and inside the SPD was that it was succeeded very soon by the onset of economic difficulties and rising unemployment. Hence, the male breadwinner model continued to dominate family policy. Furthermore, already in the early 1970s and increasingly so since the mid-1970s, key persons within the SPD hindered attempts by SPD family ministers to introduce and expand policies supporting working mothers. Most notably, there was a lack of interest from the labor minister and the chancellor (Gerlach 2004: 161-6).

Family Politics after the Golden Age

As in 1969 with the formation of the SPD-FDP government, the return to office of the CDU-CSU in a coalition with the FDP in 1982 also meant a policy change. In line with power resource theory, the traditional family would again be promoted. One notable example is the replacement of paid maternity leave for working mothers by paid maternity leave for all mothers in 1985 (Gerlach 2001c: 265). The benefit was low and flat-rate. After six months, it became income tested. It could be combined with part-time work of maximum nineteen hours per week, but job protection for those returning from leave was not guaranteed. This benefit structure was clearly most favorable for one-breadwinner families, and secondarily for families with a second low supplementary income. Moreover, it was clearly biased against the main breadwinner taking any leave. In fact, almost 99 percent of the recipients were women. A second example concerns the introduction of pension credits for all mothers in 1986. In fact, the combination of the two reforms was double-edged: people who combined the parental leave allowance with part-time work lost the pension credits. This famialistic course was continued until the late 1990s (Huber and Stephens 2001: 268; Aust 2003: 37). However, in contrast to our ideal types, the
Christian-Liberal government established a right to child care for each child between three and six in 1992.

Yet, in line with these ideal types, the formation of a government led by the SPD in 1998, with the Greens as a junior partner, meant a policy change in the direction of equal opportunities for individual family members. The government expanded family policy along three dimensions: first, raising the child allowance and child tax advantages; second, strengthening pension credits for working parents to devote six months to child-rearing; and third, improving parental leave and the parental leave benefit for employed parents (Bleses and Seeleib-Kaiser 2004: 845).

During the government’s second term, from October 2002 to February 2005, expansion again went in the direction of equal opportunities. Most notably, the government set aside federal subsidies amounting to € 1.5 billion annually (from 2005) for the federal states to expand all-day child care facilities for children under the age of three. Furthermore, another € 4 billion was set aside for helping states and municipalities to convert traditional half-day to full-day schools between 2003 and 2007 (Clasen 2005: 163).

In late 2005, the CDU-CSU formed a coalition with the SPD. This has been a remarkable period that runs counter to the ideal types as Christian democrats, like social democrats, implemented policies that supported working mothers. So far, one of the most notable reforms concerns the 2006 decision to make parental leave more generous for working parents. The new scheme entitles a working parent to 67 percent of his or her income when caring for a child in the first year after birth. The maximum payment is € 1,800 per month. The reform also introduces two so-called ‘daddy months’ with the same replacement rate to enable the other working parent to care for a child during the subsequent two months. Most notably, the Christian-social democratic government has built on and exceeded the red-green coalition’s approach to the provision of child care by proposing an even more rapid and radical expansion. In 2006, existing legislation was supplemented with new, more generous tax deductions for parents who utilize child care facilities (Gerlach 2007: Weishaupt 2008).
5.3 The Netherlands

5.3.1 Pension Politics since the Golden Age

Like in Austria and Germany, the development of the Dutch welfare state was crucially shaped by Christian democratic and social democratic preferences as well as power bases. Underlying the political power distribution was a ‘pillarized’ society. Pillarization refers to a system of institutionalized segmentation based on ideological grounds (Van Kersbergen and Becker 1988: 480). In the Netherlands the four pillar groups were Catholic, Protestant, socialist and liberal (Cox 1993: 60). Throughout the first seven decades of the last century, the pivotal Catholic People’s Party (KVP) and the two main Protestant parties, the Orthodox reformed Anti Revolutionary Party (ARP) and the Dutch reformed Christian Historical Union (CHU), had a clear political majority. Union density was comparable to that in Germany, but the unions were much more politically divided, with a larger representation of Catholic and Protestant unions. Accordingly, the welfare state developed a typically Christian democratic shape. Nonetheless, due to the inclusion of the PvdA (social democrats) in coalition cabinets and then again in the 1970s, this time as the leading coalition party, it managed to introduce some universal features and to reinforce the pro-labor wing of confessional parties and thus push for generous benefits (Huber and Stephens 2001: 162).

In the years preceding World War II, the three main confessional parties opted for a highly restricted role of the state in social policy. Though the unions were weak and politically divided, the denominational parties recognized them as legitimate representatives of workers and integrated them into tripartite advisory agencies. Welfare programs were limited to low-income wage earners, sickness and disability. These were administered by corporatist bodies. Social assistance depended on the charity of confessional organizations (ibid: 162-3).

Between 1946 and 1958, Roman-Red coalitions were in office. The cement of the government was the Catholic labor wing, and the exclusion of anti-interventionist orthodox Protestants and free-market liberals. Yet, the KVP could always look for support from the confessional parties (Van Kersbergen 1995: 90). In 1952, for instance, Catholics sought the support of other confessional parties in pushing through legislation that firmly anchored the principle of corporatist administration of social
security schemes. This had been facilitated by the successful attempt of Catholic politicians to remove social services from the PvdA controlled social ministry to a new department of social work. Furthermore, they continuously stressed paid employment as the basis for entitlement to social security (Van Kersbergen 1995: 90-3; Huber and Stephens 2001: 163).

Still, the Catholic labor wing and the PvdA successfully joined forces in engineering pioneering social security schemes. The first was the passing of the Emergency Act for Old Age Pensions in 1946. For the first time, flat-rate benefits would be available for persons over 65. This act was hugely popular, which strengthened the hands of the PvdA social minister and the leader of the Catholic labor movement (also KVP parliamentary leader) in establishing a permanent pension scheme. Both had helped draft a universal pension scheme in 1945 (Cox 1993: 103-104). Yet, conservative confessional groups opposed the centralized bureaucratic structure created for the emergency pensions and wanted to return to corporatist administration. Disagreement about administration resulted in a ten-year policy stalemate. By 1956, the PvdA social minister settled for a compromise of flat-rate indexed minimum benefits and occupational pensions (Anderson 2007: 725).

From 1958 to 1973, the KVP formed governments with the ARP and CHU, with the exception of the periods 1958-59 and 1965-66, the VVD. This phase marked a phase of major growth in social transfers. A notable example concerns the 1967 revision of the disability program which, amongst other things, ensured that workers injured on and of the job would be entitled to generous provisions. In addition, a statutory minimum wage was introduced in 1968, and linked to social security benefits. This can be better understood if we note that he KVP obtained the social ministry and, with the exception of the period 1965-66, the department of social work. These Catholic ministers had strong ties with the Catholic unions and good relations with the social democratic unions. Though they had more pro-welfare orientations than other cabinet members, union support enabled them to retain their posts (Cox 1993: 147-58).

Crucial for the strength of the social (work) ministers was a context of high economic growth and increased competition with leftist parties due to depillarization and secularization. Confessional politics did not escape the effects of depillarization and secularization, mainly exemplified by merger talks between Catholic and social democratic unions in the late 1960s, and by leftist politicians becoming dominant over
orthodox fellow partisans in one of the Protestant parties, the ARP. Accordingly, the Catholic labor wing’s social policy demands were taken even more seriously within the KVP in order not to lose this wing and the votes of Catholic workers altogether (Cox 1993: ch. 5; Van Kersbergen 1995: 133; Lynch 2005: ch. 4).

The dynamics within the KVP and the ARP also facilitated co-operation with the PvdA in government from 1973 to 1977. The PvdA-led coalition implemented further expansions of transfers and, as will be discussed below, was the first government to promote child care. In 1974, the ARP social minister, a trade unionist, unilaterally set the minimum wage, and all social security benefits linked to it, at 80 percent. Two years later, he pushed through legislation that extended flat-rate benefits to all the disabled, irrespective of the cause of disability (Cox 1993: 158-65; Van Kersbergen 1995: 132-4). With rising unemployment from the late 1970s on, this scheme came to be widely used as an early pension, leading to a drastic escalation of beneficiaries and costs.

Pension Politics after the Golden Age

By 1975, a federation of the KVP, ARP and CHU had been founded with a common electoral programme and a shared list of candidates for the 1977 election. In 1980, the process formally culminated in the establishment of the Christian Democratic Appeal (CDA). Yet, the CDA was already able to form a government with the VVD (liberals) in 1977. Despite the fact that the Dutch economy was particularly hurt in the wake of the two oil shocks, welfare reform was off the agenda until the CDA again joined forces with the VVD in 1982.

More so than in Austria and Germany, Christian democrats then embarked upon a series of cutbacks (Alber 1998b). The minimum wage and all social security benefits linked to it, including the basic pension, were frozen in 1982 and remained frozen until 1989. By 1983, disability and unemployment benefits were cut by 2.4 percent. The next year this was repeated in combination with a reduction in the replacement rate of both programs from 80 percent to 70 percent. In addition, the length of the benefit period for disability and unemployment was reduced, which implied that beneficiaries had to shift to social assistance where benefits were lower. Furthermore, the level of disability benefits was linked to the extent of disability, which was particularly unfavourable for older and less efficient workers since they
often received full benefits under previous rules. The result of all these cutbacks was that the gap between average wages and average social security benefits rose by 12 percent between 1983 and 1989. Apart from the impact of the cuts, the Netherlands also moved somewhat further in a market-liberal direction than Austria and Germany because occupational pensions and some means-tested transfers were expanded. Yet, like Austria and Germany, options for elderly unemployed to retire early were improved in the mid-1980s (Huber and Stephens 2001: 280-1; Green-Pedersen 2002; Van Gerven 2008).

After the CDA joined a coalition with the PvdA in 1989, the austerity course in social policy continued. Notably, the government embarked on a very serious reform of the sickness and disability schemes. Amongst other things, it tightened eligibility criteria, lowered benefits and shortened the period of full benefits. Accordingly, the share of claimants with full disability benefits shrunk from 72 to 41 percent between 1991 and 1994 while the share of claimants with an insufficient disability degree rose from 14 to 40 percent. Further, the minimum wage and all social security benefits linked to it were frozen in 1993 and 1994, and minimum pensions were made more subject to income testing. Accordingly, the gap between the average income of active and inactive people continued to grow – it increased by some 7 percent between 1989 and 1994. In contrast to public benefits, the sphere of occupational and private pensions was again marked by expansions (Huber and Stephens 2001: 282-3; Van Gerven 2008: 178).

As the PvdA had become the biggest party in the 1994 elections, it formed a so-called “purple coalition” with the VVD and D66 (social-liberals). At first, the purple coalition did not really slow down welfare reform efforts (Visser and Hemerijck 1997: 146). As such, the change in government again did not imply much change in social policy (Green-Pedersen 2002: 106). For example, eligibility to unemployment benefits was tightened. Furthermore, the privatization of sickness and disability benefits was continued. In addition, the basic pension supplement for spouses/partners younger than 65 was abolished. Moreover, the minimum wage was frozen in 1995. Following the series of cuts, which had been spread rather evenly across governments since 1982, the basic pension was 22 percent less in 1998 than it would be under pre-1982 legislation (Alber 1998b: 24). In fact, the most notable departure from previous governments concerned the purple coalition’s investments in active labor market policies. This was continued during the second term of the purple
coalition, that is, from 1998 to 2002. Furthermore, the government expanded private and occupational pensions. However, retrenchment was off the agenda by then.

It would not be away for long. Between 2002 and 2006, the CDA led three center-right cabinets. Though the first and the third terms were too short-lived to attempt serious welfare reform efforts, the second term (with the VVD and D66 as coalition parties) was marked by severe cutbacks. Most notably, tax benefits for early retirement schemes were abolished and replaced by a fiscally advantageous private saving scheme for periods of leave. In addition, disability benefits were cut and elderly unemployed were now obliged to look for a job. Furthermore, the minimum wage was frozen in 2004 and 2005. Whereas all these measures fit the liberal ideal type, the exception to the rule concerns an active labor market policy focusing on subsidies to employers and work reintegration.

5.3.2 Family Politics since the Golden Age

As in Germany and Austria, the Dutch welfare state was built on an reinforced the male breadwinner ideal. This had considerable impact on women’s labor market rates. Up to 1980 these rates were the lowest among our cases. Particularly Catholics and Protestants that go to church have been loyal to the three main confessional parties – the KVP, ARP and CHU - over time. By 1956, 52 percent of the electorate was made up of practising Catholics and Protestants (Van Wijnen 1998: 56). In this favorable electoral context, the major confessional parties ensured that social benefits would center on a family minimum. At the cabinet level, we have seen above that Catholic politicians removed social services from the PvdA controlled social ministry to a new department of social work in 1952. This became the embodiment of Catholic power to the extent that it reinforced the traditional patriarchal structure of Dutch society (Van Kersbergen 1995: 90-93). Indeed, one of its official assignments was to ‘protect… the family unit(y) as a shaping force of society’ (Gastelaars 1985).

As a result, child care outside home remained to be mainly provided by confessional institutions. In the decades immediately following the second World War, spending on family allowances in the Netherlands was quite low and granted to third and subsequent children only. However, under the Roman-Red coalitions allowances were introduced for employees and self-employed from the first child
onwards. Although confessional parties and unions favored a universal family wage for family heads as outlined in the papal encyclical Rerum Novarum, the PvdA and the socialist unions successfully opposed the introduction of universal benefits as it would undermine the workers’ wage struggle. In fact, most social democrats argued that wages should not be determined by the household structure and the number of children. This could cause jealousy between workers and, consequently, weaken the working class movement. Yet, in the early 1960s Catholic legislators provided the impetus in ensuring that family allowances became a universal social insurance for each third child with the amount of benefits augmented for each additional child. At the same time, employment-related schemes for employees and the self-employed continued for first and second children. Accordingly, both aggregate and per child spending on families began to rise. In the period 1975-1990, family allowances as a percentage of average of male wages in industry were among the highest in OECD countries (Huber and Stephens 2001: 166; Lynch 2005: 71-86; Van Daalen 2005: 4).

Women were in a weak position to challenge the male breadwinner model, but in the late 1960s, as elsewhere, a new women’s movement with reformist and radical wings emerged. The reformist wing, whose leaders had personal connections to the PvdA leadership, formally articulated demands for new policies supporting equal gender rights, including child care. The PvdA-led coalition responded by introducing subsidies for child care. Further plans were elaborated upon, but could not be implemented as the PvdA returned to the opposition benches in 1977.

Family Politics after the Golden Age

After the 1977 elections, a CDA-VVD government came to power and set up an under-ministry for women’s affairs. However, it appointed as its head a Protestant female Christian democrat who had not been an active promoter of women’s equality. Though the CDA did not formally oppose the plans of the previous PvdA-led government, its politicians prevented all kinds of parenting policies that could facilitate women’s labor force participation, like parental leave and child care (Huber and Stephens 2001: 166). Instead, and despite the fact that the Netherlands suffered economic and budgetary problems that extended those of our other cases, the CDA-VVD coalition universalized child allowances for first and second children in 1980.
Accordingly, the number of beneficiaries increased from 1.8 million in 1979 to 2.2 million in 1980 while costs rose from € 2.4 billion to € 3.2 billion (De Jonge 2005: 4).

Between 1982 and 1989, two subsequent CDA-VVD cabinets were active in promoting some expansions of equal rights, though the Netherlands had a very long way to go and the history of the male breadwinner model alongside women’s discrimination in the labor market was not overcome. Reforms ended the formal discrimination against married women in disability insurance, unemployment benefits and public pensions. The latter had the widest-ranging impact, as it entitled both parents to equal entitlements. However, it left women at a comparative disadvantage as they had to pay contributions while housewives did not while having similar entitlements. In 1985, the unit of contribution to all public social security schemes was changed from the household to the individual, but health care remained exempt, and the household remained the calculation unit for means-tested programs (Huber and Stephens 2001: 286). Furthermore, the government raised child allowances for large families in 1983 (De Jonge 2005: 4).

No action was taken in the fields of child care and parental leave until the PvdA joined forces with the CDA in 1989. As the PvdA demanded expansions in both areas and the CDA continued to adhere to the male breadwinner ideal, the result was a sort of stalemate. For instance, parental leave was introduced, but it remained unpaid for the private sector and thus an unattractive option. Moreover, the Child care Stimulation Act was passed. It provided subsidies for child care facilities, day care host parents, and care for young school children. However, care arrangements remained largely privately provided and the impact of the Act was highly limited. Between 1990 and 1993, it increased the share of children in subsidized child care merely from 2 percent to 4 percent (Huber and Stephens 2001: 286).

Expanding policies supporting working mothers was considerably easier for the PvdA once it came to lead the “purple coalition” in 1994, since both D66 and the VVD supported equal opportunities for individual family members. In 1995, for instance, the government implemented tax cuts for companies which invested in child care. Moreover, by 1997 employees taking parental leave were entitled to receive benefits between 2 and 6 months. As the purple coalition continued in 1998 so did expansions in family policy in the direction of equal rights. The 2001 tax reform removed the remaining shared taxation components, thus further lowering disincentives for second-earners to work more hours (Visser 2002: 33). Notably, the
2001 law on labor and care added several new arrangements such as 16 weeks paid maternity leave and a paid two days paternal leave. Last but not least, the second purple government aimed to create 70,000 extra child care places by 2003, that is, to nearly double the existing number. Each year 250 million guilders was spent on child care (Hoop 2004: 74).

In contrast to the ideal types, expansion in the direction of equal rights continued when the CDA returned to power in 2002. Against the demands of its coalition partners - the VVD and D66 - the party helped to ensure in parliament that those using a private savings scheme for parental leave would be reimbursed 50 percent of the minimum wage, around € 650, for a period of six months. Notably, the cabinet lowered child allowances in 2004 – an instrument favored by the CDA at the expense of child care until the mid-1990s (Van Daalen 2005: 11). By contrast, the CDA now embraced child care policy. It helped to make employer contributions obligatory from January 2007 on and the government raised its budget for child care by 477 million euros in 2007. Furthermore, around € 130 million extra was invested in child care in 2006 and in 2007 to lower parents’ contributions. Taken together, these expansions are massive and extended those of all previous Dutch governments. Between 2005 and 2008, public expenses on child care rose from € 667 million to over € 2.8 billion (Commissie Kinderopvang 2009).

5.4 Comparative Conclusion

This chapter has analyzed if the political struggles over the introduction, expansion and reform of pensions and family policy actually look alike. As to pensions, the ideal types derived from power resource theory led me to expect that social democrats promote earnings equality via a welfare state with high transfers, high services and universal social rights. The state is the preferred management or regulatory structure. Furthermore, Christian democrats were assumed to maintain income differences via a welfare state with high transfers, low services and status-based entitlements. The social partners are the preferred actors to manage or regulate the system with a secondary role for the state. Finally, I expected that liberals support equality of opportunity via a welfare state with low transfers, low services and means-tested entitlements. The market is the preferred way of managing or regulating.
The historical analysis of welfare’s golden age showed that both Christian democratic and social democratic parties behaved in line with the ideal types derived from power resource theory. Yet, I also pointed at the important role of women’s emancipation groups for social democrats in embracing an equal rights perspective.

Since the 1980s, however, we have seen fewer and fewer partisan differences, and the power resource approach has increasing difficulties to explain welfare development. In Austria, power resource theory sheds quite some light on pension reform until 1996. As portrayed by table 5.1, cuts were small and there was some expansion of old age pensions, active labor market policies for older workers and, in particular, early pensions. However, power resources theory is of little help for the period since 2000. By then, a Christian democratic-populist right government opted for a market-liberal policy course with large cuts in public pensions combined with the introduction and fiscal stimulation of private pensions. Here, the exception to the rule of market-liberalism concerns some expansion of child-credits and benefits for manual workers and lower-income groups.

Moreover, the power resources school contributes little to an explanation of pension reforms in the Netherlands. Here, Christian democrats already went down the road of severe retrenchment in the early 1980s with the partial exception of transfers for lower-income groups. Retrenchment continued under the CDA-PvdA coalition and during the first term of the PvdA-VVD-D66 cabinet. Remarkably, the same cabinet also met expectations derived from power resources theory as cuts were off the agenda during its second term and, compared to the other Dutch governments analyzed here, the PvdA-VVD-D66 coalition was the most fanatic promoter of active labor market policies. Afterwards, power resource theory is again of little use as successive center-right governments led by the CDA went down the road of market-liberalism rather than Christian democracy by implementing severe cutbacks and promoting a new private savings scheme. The exception to the rule concerns some expansion of active labor market policies for older workers.
Table 5.1 Pension reforms in Austria, Germany and the Netherlands, 1982-2006

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<td>- Small cuts</td>
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<td>- Moderate cuts</td>
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<td>- Some</td>
<td>- Some</td>
<td>- Expand child-</td>
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<td>expansion of ALMPs</td>
<td>expansion of ALMPs</td>
<td>credits and some</td>
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<td></td>
<td>- Expand early</td>
<td>- Expand and</td>
<td>ALMPs</td>
<td>child-pensions</td>
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<td>pensions</td>
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<tr>
<td></td>
<td>- Small cuts</td>
<td>- Moderate cuts</td>
<td>Retract cuts</td>
<td>- Severe cuts</td>
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<td></td>
<td>- Expand early pensions and ALMPs</td>
<td>- Expand child-credits</td>
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<td>- Introduce and promote private pensions</td>
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<td></td>
<td></td>
<td>- Some expansion of ALMPs</td>
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<td>- Expand ALMPs and child-credits for parents with part-time work or low earnings</td>
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<tr>
<td></td>
<td>- Severe cuts</td>
<td>- Severe cuts</td>
<td>- Severe cuts in first term</td>
<td>- Severe cuts</td>
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<td></td>
<td>Partial exception: lower-income groups</td>
<td>- Expand occupational pensions and introduce private pensions</td>
<td>- Expand ALMPs</td>
<td>- Introduce and promote private savings scheme for leave periods</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Little expansion of ALMPs</td>
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Note: ALMPs refers to active labor market policies.
To add complexity, power resource theory sheds quite some light on German family policy between 1982 and 1995. By then, the Christian-liberal government implemented small cuts combined with expansions of early pensions and active labor market policies. Afterwards, the Christian-liberal coalition implemented moderate cuts, expanded child-credits and somewhat expanded active labor market policies. As such, the basic structure of the German welfare state was frozen from 1982 to 1998. Moreover, and in line with power resource theory, several cuts were retracted by the social democratic-green coalition from 1998 to late 1999. Yet, the same government subsequently diverted from the power resources approach by opting for severe cuts in public pensions and initiating and promoting private pensions. At the same time, the social democratic-green coalition behaved in line with power resource theory by expanding active labor market policies for older workers and child-credits for parents with part-time jobs and low incomes.

Whereas pensions are increasingly marked by retrenchment, table 5.2 outlines a rather different picture for family policy. Here, policy is marked by expansion and, apart from some notable exceptions that will be further analyzed in the next chapters, power resources theory does a good job in explaining reform. Moreover, it continues to do so in Austria as Christian democrats promote the traditional family and social democrats support working mothers. However, the power resources school no longer explains family politics in the Netherlands and Germany since 2002 and 2005, respectively. Here, Christian democrats have undergone a remarkable process of convergence towards the social democratic perspective on family policy and have accordingly implemented policies supporting working mothers.
Table 5.2 Reforms of family policy in Austria, Germany and the Netherlands, 1982-2006

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<td>Promote working mothers</td>
<td>Promote traditional family and working mothers</td>
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<td></td>
<td>Exception: expand transfers</td>
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<td></td>
<td>Promote traditional family</td>
<td>Promote working mothers</td>
<td>Promote working mothers</td>
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<tr>
<td></td>
<td>Exception: 1992 expansion of child care and non-adjusted parental leave benefit</td>
<td>Exception: expand transfers</td>
<td>Exception: expand transfers</td>
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<td></td>
<td>Promote traditional family</td>
<td>Promote traditional family and working mothers</td>
<td>Promote working mothers</td>
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<tr>
<td></td>
<td>Exception: steps towards equal rights in social insurance</td>
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<td></td>
<td></td>
<td></td>
<td>Center-right 2002-2006</td>
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<td></td>
<td></td>
<td></td>
<td>Promote working mothers</td>
</tr>
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6 How German Welfare Parties Enabled Pension Reforms

This chapter tries to explain chapter five’s puzzling findings. Chapter five outlined that German social democrats have pursued social democratic pension reforms from 1998 to mid-1999. However, they have subsequently implemented a more market-liberal reform agenda than their Christian-liberal predecessors between 1982 and 1998.

Here, I study the explanatory power of the two propositions on organizational change and pensions as discussed in section 2.5. The first proposition implies that, against a background of austerity and de-industrialization, failure to dominant government is the catalyst triggering a coalition of pragmatists to become dominant in a social democratic party like the SPD. As to the CDU, by far the largest Christian democratic party in a unique partnership with the Bavarian CSU, I expect that failure to dominate government triggers a coalition of pragmatists to become dominant. Once a coalition of pragmatists has become dominant within the SPD or the CDU, the party is enabled to seek new solutions to cope with welfare austerity, including private pensions and pension retrenchment.

The chapter is structured as follows. The first section analyzes pension reforms implemented by the Christian-liberal coalition between 1982 and 1989, that is, German unification. The second section then turns to the period until 1998, the moment the CDU went in opposition. The third section studies pension reforms between 1998 and 2005, the period when red-green coalitions were in office. Finally, section four concludes.

6.1 Pension Politics until the late 1980s: A Strong Position for Traditionalists within the CDU

The initially very moderate change in pension policy under the Christian-liberal government can to a large degree be explained by the strong position of the employees’ faction within the CDU (the CDA) until the late 1980s. Whereas the CDA aimed to preserve existing welfare state structures and expand several forms of state support for workers, the CDU business wing aligned with the FDP in advocating more radical retrenchment and market-oriented reforms (Schmid 1990; Winter 1990; Alber
Throughout this chapter, the term CDU business wing refers to both the Wirtschaftsrat der CDU (the CDU’s business council) and the Mittelstandsvereinigung (association of small employers). In 1995 the latter was renamed as the Mittelstands- und Wirtschaftsvereinigung (MIT).

In the early 1980s, the second oil shock triggered West German unemployment levels to rise to unprecedented levels. Unemployment reached a level of 8 percent in 1983 and stayed there until 1985. An economic recovery in the late 1980s let it decrease to 4.2 percent in 1991. Further, many older workers retired early. Accordingly, the labor force participation rate of male workers aged between 60 and 64 dropped to 31.5 percent in 1986 (Huber and Stephens 2001: 265).

Because of diminishing revenue and rising benefit expenditure in the early 1980s, the FDP demanded more substantial cuts in pensions and, especially, early pensions. These suggestions contributed to the eventual breakdown of the SPD-FDP government, with the FDP leaving the coalition and aligning with the CDU-CSU in a new government in October 1982 (Clasen 2005: 64-5). Chancellor Kohl’s government declaration of October 1982 pointed in the same direction of a major change in socio-economic policy. Kohl (CDU) identified a deep economic crisis, blamed the preceding government for it and announced the new government’s market-liberal solutions in order to overcome the crisis. First, budget consolidation was required. A second prerequisite concerned a new division of labor between state and market that would relieve the state, strengthen personal responsibility and strengthen the role of the market (Kohl in Schmidt 1998: 59).

Nevertheless, we have seen in the previous chapter that the change of government in 1982 had virtually no impact on pension reforms. In 1983 and 1984 the Christian-liberal coalition adopted the previous pattern of small cuts, affecting all pensioners as well as early retirees in peripheral sectors. The SPD refrained from raising serious objections to these measures, not least since most of the measures had already been planned when the party was in government. Besides, there was a basic consensus between the SPD and the CDU-CSU to uphold the existing system (ibid: 105). This consensus was facilitated by the fact that the CDA, with its leader and social minister Norbert Blüm as its figurehead, set the agenda in pension politics during the 1980s (Zohlnhöfer 2001b 30-2; Clasen 2005: 105).

Blüm was a Catholic trade union member and the only minister to participate in all four Kohl governments until 1998. Especially until the mid-1990s, he was given
relatively free space by Kohl. The latter was not very interested in issues of social policy (Zohlnhöfer 2001b: 30-2), but supported Blüm in his basic goal to preserve the existing pension system (Schmid 1998: 103-4). Blüm put high standards on evidence in favour of welfare reform. As he once said in 1987, no one knows ‘so much about the future that he can justify radical solutions’ (in ibid: 104). Blüm’s trade union membership and closeness to the preferences of trade unions enabled him to function as a bridging person between the Kohl government and both trade unions and the SPD. This was exemplified by his selection of employees. Apart from allocating several management positions to trade union representatives, Blüm also appointed a social democrat and even made him under-minister in 1988 (Billing 2001: 147).

The strong position of the CDA in social policy became manifest on many occasions. After the 1983 elections, it successfully resisted the FDP’s demand for a general cut in unemployment benefits. Instead of opting for retrenchment, the CDA ensured that contribution rates for unemployment benefits increased from 4.6 to 4.8 percent (Zohlnhöfer 2001b: 80). Towards the end of the 1980s, the FDP also called for a cut of unemployment benefits. Again, the proposal remained unsuccessful against a broad coalition of the CDA, the oppositional SPD and trade unions (Clasen 2005: 66). Another example concerned the demands of the FDP and the CDU business wing to liberalize dismissal law in 1985. However, this attempt failed due to an intervention by the CDA and minister Blüm. The latter two tried to satisfy employers and trade unions by expanding training and education programs throughout the 1980s in order to fight unemployment (Billing 2001: 148-9; Zohlnhöfer 2001b: 110-41).

For similar purposes, the Christian-liberal government expanded early pensions from 1984 on. Such expansions surely were facilitated by the improvement of the economic and fiscal situation in the mid-1980s. However, the CDA in general and Blüm in particular played a crucial role (see table 6.1). In 1984, for example, Blüm pushed through the possibility to retire at age 58 against the demands of the FDP economics minister and the CDU finance minister (Billing 2001: 148). The latter was the key exponent of the CDU business wing (Bösch 2002: 52). Between 1985 and 1987, the CDA and its leader Blüm benefited from their agenda setting role by introducing and expanding both early retirement schemes and child raising credits for women in the old age pension system (Zohlnhöfer 2001a: 4).
But how can we explain the strong position of the CDA within the CDU in social policy? For one, chapter four has shed some light on this question by noting that over a third of all Protestant workers and more than half of all Catholic workers voted for the CDU in 1976 and 1990. With around 90 percent of the West Germans adhering to Catholicism and Protestantism, the CDA proved to be a crucial electoral asset for the CDU. Related to this, Zohlnhöfer poses that the German economy performed quite well from the mid-1980s on, at least in comparison with most OECD countries. Accordingly, most CDU politicians did not perceive the necessity to pursue potentially unpopular retrenchments of major welfare state programs. Hence, party competition probably played a role (Zohlnhöfer 2001c).

Second, though by far the most party members do not belong to either the CDA or the CDU business wing, their influence cannot be underestimated easily. According to Zohlnhöfer, their importance is shown by the fact that about half of the CDU fraction in the Bundestag belonged to the business wing and 25 up to 30 percent to the CDA. Furthermore, both the finance and the economics ministry have been the domain of the business wing throughout the postwar period, whenever the CDU obtained these portfolios. The same applies to the social ministry and the CDA. In addition, the CDA’s internal position was strengthened by the fact that the Catholic Heiner Geissler, a CDA member and member of the trade unions, was the CDU’s general executive from 1977 to 1989 (Zohlnhöfer 2001a: 5-9). As Geissler put it himself, ‘the implementation of social policy is a power issue. If the general executive of a people’s party is simultaneously a member of the CDA and the trade unions, this has a different weight for general policy priorities than when a general executive is relatively uninterested in these issues and cannot, will not or dare not set the agenda in this direction. I have never accepted this’ (Geissler 2001: 807).

We can identify two additional factors contributing to the CDA’s strong position within the CDU in the 1980s. First, the women’s union and the youth union had been co-operating rather tightly together in a truly stable manner between the mid-1970s and the late 1980s (Zohlnhöfer 2001a: 8). This joining of forces was labeled the ‘Mannheim Coalition’, named after the party conference of 1975 in Mannheim (Nüllmeier and Rüb 1993: 397). Second, during the 1980s and early 1990s, a decision within the CDU was only made once all intraparty party groups agreed with it. Accordingly, the CDA obtained a powerful vetoposition and disagreements between different wings were usually solved by means of informal
compromises. Hence, the CDA was able to moderate demands of the business wing to opt for more radical welfare retrenchment and market-oriented reforms (Zohlnhöfer 2001b).

Table 6.1 Main pension reforms under the CDU-CSU-FDP coalitions, 1982-1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in CDU</th>
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<tbody>
<tr>
<td>1984</td>
<td>Introduce possibility to retire at age 58</td>
<td>Strong</td>
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<tr>
<td>1985-87</td>
<td>- Expand early retirement schemes</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>- Introduce child-raising credits</td>
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<td></td>
<td>- Expand active labor market policies for older workers</td>
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<tr>
<td>1989</td>
<td>- Gradually phase out some early retirement plans by 2001</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>- Cuts of non-contributory benefits (exception: improved credits for child-rearing)</td>
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<tr>
<td></td>
<td>- Switch from gross to net wage indexation</td>
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<tr>
<td></td>
<td>- Increase the federal grant to 20 percent of expenditures</td>
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<tr>
<td>1990-91</td>
<td>Extend West German pension system to Eastern Germany</td>
<td>Strong</td>
</tr>
<tr>
<td>1991-92</td>
<td>- Introduce early retirement scheme for workers aged over 55</td>
<td>Strong</td>
</tr>
<tr>
<td></td>
<td>- Introduce a ‘social supplement’ for pensioners</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Expand active labor market policies for older workers</td>
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<tr>
<td>1996</td>
<td>- Cuts in non-contributory benefits</td>
<td>Quite strong</td>
</tr>
<tr>
<td></td>
<td>- Increase retirement ages for workers receiving unemployment pensions from 60 to 63 by 1999</td>
<td></td>
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<tr>
<td></td>
<td>- Accelerated phasing in of the increase of retirement ages and actuarial deductions outlined in the 1989 pension reform</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>- Introduce a demographic factor in the pension formula</td>
<td>Quite strong</td>
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<td>(leading to a reduction of a standard pension from 70 percent to 64 percent)</td>
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<td>- Tighter eligibility criteria for disability pensions</td>
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<td>- Increase in the federal subsidy of 1 percent (approximately 17 billion DM)</td>
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<td>- Child credits raised from 75 percent to 100 percent in addition to employment related-benefits</td>
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*Source: Own composition. Information on reforms derived from Ney (2001) and Schludi (2005).*
By the late 1980s, the CDA’s strength had weakened somewhat. For instance, its membership rates declined from 40,000 in 1980 to approximately 32,000 to 35,000 in the late 1980s. As to the business wing, the Wirtschaftsrat had 5,500 members in 1980 and the Mittelstandsvereinigung 20,000. Hence, the CDA had almost double as many members as the business wing in 1980 (Zohlnhöfer 2001a: 6) 10. In addition, it is worth noting that the absence of a Christian democratic trade union had the odd effect that the CDA attempted to represent the DGB, whose demands were also channeled through the SPD (Van Kersbergen 1995: 118). As such, the CDA was somewhat weakened due to a gradual decline in union density rates from 32.5 percent in 1980 to 29.9 in 1989 (FOWID 2006a: 8). A more direct weakening was that the chairman of the CDA was neither represented in the highest executive organ of the CDU nor in government after Blüm resigned as chairman in 1987 (Zohlnhöfer 2001b: 677).

Last but not least, several prominent CDA representatives and likeminded supporters of existing welfare state structures had suddenly lost their position in September 1989. At the time, the position of Kohl had considerably weakened due to subsequent electoral defeats of the CDU at the national and the federal level. Accordingly, several prominent internal critics demanded that the party undergo organizational and programmatic reform, and that Kohl resigns, in order to maintain its dominant position in office. Amongst others, these critics included included Blüm, party executive Geissler, the chairwoman of the women’s union and the chairman of the CDA. Nevertheless, Kohl managed to disempower these rivals at a party convention in Bremen and all, except for Blüm, lost their post afterwards. Moreover, Kohl replaced Geissler by Volker Rühe who was very loyal to Kohl and can be described as an economic liberal. All in all, these events had particularly reduced the influence of the CDA and the women’s organization. Consequently, the CDU had already become a different party before unification took place (Jäger 2001: 372-3; Bösch 2002: 129-33).

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10 Unfortunately, no data are available for the business wing.
Nonetheless, the weakening of the CDA and the women’s organization by September 1989 did not influence the pension reform of November 1989, since it was already in its final phase by then. The key features of this reform are to:

- Gradually phase out some early retirement plans as of 2001
- Cut non-contributory benefits (exception: improved credits for child-rearing)
- Change from gross to net wage indexation
- Increase the federal grant to 20 percent of expenditures

The reform was prepared in a lengthy process of meetings and negotiations of a relatively small policy network, including the labor ministry, the CDU-CSU, the SPD, the FDP and the social partners\(^\text{11}\). The trigger proved to be a joint report by the social partners. This had been withheld deliberately until after the 1987 Bundestag election, and helped to marginalize radical reform proposals made by individual MPs in favour of lowering the role of public pensions (Clasen 2005: 107). In terms of policy substance, the BDA (the main employer federation) had pushed for a switch from gross to net wage indexation, but this practice had already been abandoned by the late 1970s. As such, trade unions hardly contested the BDA proposal. Moreover, all actors agreed that pensions had to at least approximately maintain the previous living standard during retirement (Schludi 2005: 132). How to get there, however, was unclear. For instance, the BDA, the FDP, a group of rather liberal CDU politicians around Kurt Biedenkopf and CDU representatives of smaller and medium sized employers argued that the role of private funding should be increased at the expense of public pensions (FDP 1986: 10; Nullmeier and Rüb 1993: 213, 331, 374, 392). Instead, the SPD, the trade unions and the CDA argued that the existing public scheme was to be maintained and that only small reforms within the system were necessary (Schludi 2005: 133-5).

Especially the CDU was thus internally divided and this may help to explain why the 1987 coalition agreement, in comparison to other policy fields, was very vague on a proposed pension reform. Accordingly, a commission led by Blüm was

\(^{11}\) The following discussion of the 1989 pension reform to a large extent draws upon an excellent study by Nullmeier and Rüb (1993).
ordered to come up with a policy proposal by early 1988. Here, it is worth noting that all specialists within the commission had a background in trade unionism and shared similar views on the challenges to the pension scheme and the direction of reforms (Aust 2002: 8). Furthermore, the CDU’s internal discussion sessions on pension reform were usually attended by Blüm, many representatives from the trade unions and the CDA, and Rita Süssmuth, the CDU family minister and chairwoman of the women’s union. Whereas Blüm, the CDA and trade unionists mainly aimed to uphold the existing pension scheme, the improved credits for child-rearing can largely be traced back to the women’s union. The discussions eventually led to a paper prepared by the social ministry. This was discussed at a special party conference on pensions in September 1988.

Despite Blüm’s agendasetting role, arguments favouring an overhaul of public pensions and their replacement by funded pensions did enter the debate at the party congress. Kurt Biedenkopf, a former professor in economics, had pleaded for market-liberal reforms since the mid-1970s, and continued to do so at the party conference. However, his model was not directly supported by the business wing. In fact, politicians with traditionalist orientations, most notably Blüm, felt especially insecure due to proposals developed in 1987 by the Mittelstandsvereinigung. These proposals boiled down to retrenching public pensions and expanding private arrangements along rather similar lines as suggested by Biedenkopf. Blüm’s fear was triggered by the large presence of representatives from the Mittelstandsvereinigung in the Bundestag. Moreover, the youth union had aligned with the Mittelstandsvereinigung due to its fears of having to pay increasingly more for current pensioners without building up anything for future pensioners. As such, the CDA had lost one of its informal allies and only the women’s union would continue the informal co-operation. Consequently, it was not clear whether the paper prepared by the CDA and the women’s union would be accepted at the party conference. In fact, the support of both Blüm and Kohl proved to be decisive and the paper became the CDU’s official policy proposal to be negotiated with the FDP and the SPD.

According to Schludi, the government had a powerful motive for seeking the SPD consent because it had an interest in sharing the blame for unpopular pension retrenchments with the largest opposition party in order to minimize vote losses. Moreover, Blüm explicitly looked for SPD support because he advocated a more modest reform than the FDP and the strong market-liberal forces within his party. As
such, Blüm and the CDA could strengthen their own standing within the party (Schludi 2005: 134).

Blüm’s policy proposal would eventually be largely implemented. The exception to the rule is that the SPD achieved a postponement of the increase in age limits of some early retirement plans by eight years (ibid: 133). This went against the demands of the FDP but certainly not against those of the CDA and the trade unions (Richter 2001: 36). At the end, a CDA spokesman even labeled the new pension legislation ‘a reform out of the spirit of the CDA’ (in Nullmeier and Rüb 1993: 402). Indeed, we have thus far verified this claim to a large degree. However, we should not forget that the agreement among the social partners was highly influential in the beginning stage of the negotiation process, and helped to marginalize reform proposals made by individual MPs in favour of lowering the role of public pensions. In addition, the SPD’s support prevented a further strengthening of those embracing market-liberal reforms within the CDU.

6.2 Pension Politics from the Early 1990s to 1998: A Quite Strong Position for Traditionalists within the CDU

With hindsight the timing of the 1989 reform was intriguing. The reform was agreed upon in the Bundestag on 9 November 1989, approximately an hour before the Berlin wall fell down (Clasen 2005: 109). A few years later, we would witness a worsening economic situation and a weakened position for traditionalists in the CDU. Nonetheless, labor minister Blüm could to a large degree counterbalance the weakening of traditionalists, since he managed to prevent more severe pension retrenchment as demanded by the FDP, radicalizing employers’ associations, the CDU’s business wing and other CDU politicians with more pragmatic orientations.

Needless to say, unification was the most exceptional challenge faced by the German welfare state since the mid-1970s. What is perhaps most surprising then is that the government responded in a routine manner to such a non-routine situation (cf. Manow and Seils 2000). Whereas the FDP proposed to leave East German economic developments to the market (FAZ 13.12.1994), Blüm and the CDA attempted to safeguard East German pensions and purchasing power by directly extending the West German pension system to the East German Länder (Billing 2001: 150-1). Consequently, pension payments for East Germany increased severely. Furthermore,
benefit claims for women in the new Länder were higher than in West Germany because of the higher labor market participation of Eastern German women. Most importantly, the collapse of the East German economy led to a strong decrease in employment rates (Schludi 2005: 135). Between mid-1990 and late 1991, the number of employed in the former GRD dropped from 9 million to 6.75 million (Zohlnhöfer 2001c: 671). Blüm and the CDA responded by supplying special arrangements like an early retirement scheme for workers over the age of fifty-five, a ‘social supplement’ for pensioners and active labor market policies for older workers (Schmid 1998; Billing 2001). We have seen that Blüm and the CDA had also pursued such an approach during the 1980s.

Initially, an economic ‘unification boom’ in West Germany led to increases in public pension fund reserves, thereby enabling West-East transfers to be funded and pension contribution rates to be decreased. After 1992, however, annual deficits rose fast and existing reserves dwindled rapidly (Clasen 2005: 109). Between 1993 and 1997, pension contribution levels rose from 17.5 to 20.3 percent. Simultaneously, the public budget, still portraying a surplus of 0.1 percent in 1989 had become a deficit of 3.4 percent in 1996. Given the 3 percent criterion of the EMU, this constrained the possibility of increasing subsidies to the pension scheme in order to reduce contribution rates (Schludi 2005: 135-6).

These developments had strong political implications. By early 1993, for instance, the government parties started to negotiate a retrenchment package. According to Zohlnhöfer, proposed measures included abolishing social assistance for the unemployed, limiting entitlement to unemployment benefits from three years to two, decreasing social benefits by three percent, and cutting family allowances for higher income groups. Although pensions were to be excluded on Blüm’s insistence, especially the cuts in unemployment benefits triggered criticisms from the SPD, the trade unions and Christian democrats from the new Länder. Moreover, thirteen CDA members voted against the reform package and nine abstained at a special party conference (see also FAZ 14.07.1993). On the other hand, the FDP, the CDU Wirtschaftsrat, the CSU finance minister and Christian democratic finance experts demanded more radical reforms. By early December 1993, the government parties somewhat surprisingly refrained from abolishing social assistance for the unemployed and limitating the entitlement period of unemployment benefits. Whereas the CDA did welcome this, it did not manage to moderate the initial proposals. As the CDA’s
chairman criticized the retrenchments as being too liberal, his room of manoeuvre within the CDU was immediately decreased by Kohl. Instead, the Eastern German Christian democrats and the SPD were able to do moderate the proposals, since they had a two thirds majority in the Bundesrat. This would have been sufficient to block the whole reform package (Zohlnhöfer 2001b: 215-36).

Another notable example of limited influence from the CDA concerns the so-called Growth and Employment Promotion Act of September 25, 1996. The reform intended to cut sick pay from 100 percent to 80 percent and to liberalize dismissal law, two measures that were absolutely unacceptable to the trade unions and the SPD (Schludi 2005: 137). As regards pension policy, the reform entailed the following elements:

- Further cuts in non-contributory benefits
- Increase retirement ages for workers receiving unemployment pensions from 60 to 63 by 1999
- Accelerate the period envisioned by the 1989 pension reform within which retirement ages and actuarial deductions increase

In response to massive protests by the SPD and the trade unions, the government postponed the latter for three years. The proposed cutbacks not only led to the breakdown of the “Alliance for Jobs” between the social partners, but also provoked the hitherto largest demonstration (about 350,000 participants) against the Kohl government’s welfare retrenchments. Moreover, the reform implied the end of the collaboration on pension reforms between the government parties and the SPD. In May 1996, the SPD officially revoked to participate in the government’s pension reform commission, which was establishing further reforms. By then, the SPD considered pension retrenchments unnecessary and actually argued in favor of increased state financing (Schludi 2005: 137-8).

The government passed this law unilaterally without consulting the SPD and the trade unions, despite the fact that the CDA repeatedly argued in favour of seeking their consent (FAZ 09.04.1996, 16.09.96). Furthermore, Blüm and the CDA unsuccessfully attempted to limit the cut in sick pay and the liberalization of dismissal law (Zohlnhöfer 2001b: 274-9).
If we wish to understand why the government parties pursued the two most criticized measures despite the opposition by the SPD, the CDA and the trade unions, we cannot ignore increasing problem loads, the chancellor’s role, a radicalizing FDP and the weak involvement of the SPD in the Bundesrat. To start with problem loads, the number of unemployed had risen above the psychologically important threshold of 4 million during the winter of 1995-1996. This seriously threatened the coalition’s re-election opportunities (Zohlnhöfer 2001c: 676).

Accordingly, and this brings us to the chancellor’s role, Kohl announced the will to halve the number of unemployed by 2000. More radical reforms seemed necessary, given that the approach of expanding early retirement and active labor market policies as pursued by Blüm and the CDA had thus far proven expensive and ineffective (ibid). Once the threat of losing office had become clear, social policy became a regular key issue in the chancellor’s office (Trampusch 2005: 9). Here, it is worth noting that becoming the so-called “re-unification chancellor” had helped Kohl to regain authority within his party. Accordingly, the CDU had become a “chancellor’s party” between 1990 and 1994 as Kohl made all the large decisions himself and his authority was seldom questioned. Party committees met less and less. If they met, Kohl dominated the sessions (Bösch 2002, 2004).

To the regret of the CDA, the FDP took a more neo-liberal and assertive stance since 1992 (FAZ 13.12.1994). By then, the electoral success of the Greens severely threatened the pivotal position of the FDP as the latter suffered a loss of voters with a social-liberal orientation. By the early 1990s, this threat was amply demonstrated by declining election results and declining participation at the Land level as well as shrinking figures in national opinion polls. As the FDP loomed dangerously close to the 5 percent hurdle of the German electoral law by now, the party could be guillotined out of federal existence (Poguntke 1999). Accordingly, the majority faction within the FDP, which was primarily concerned with economic liberalism, argued that a more a neo-liberal stance would compensate the loss of social-liberal voters by gains on the right. As such, the electoral defeat of 1994 only further weakened the internal position of social-liberals (Zohlnhöfer 2001b: 59). As the FDP managed to gain large vote shares in three Land elections in early 1996, the party (read: the dominant coalition of economic-liberals) saw its increasingly neoliberal position confirmed. Accordingly, the FDP further promoted sound public
finances and tax cuts. This was only feasible if the welfare state would be considerably trimmed (Weishaupt 2008: 264).

The fact that the CDA could not rely on the SPD’s support made things even worse for the CDA. While the SPD proved to be an important ally of the CDA in 1993 that helped to moderate cuts in unemployment benefits, hardly any legislative changes introduced since then required the SPD’s approval, including the cut in sickness benefits and the liberalization of dismissal law (Clasen 2005: 71). In addition, the SPD took a more radical position by condemning welfare state reform and trying to become Germany’s largest party. It is worth stressing that this is only one part of the story, since a polarization strategy was risky in the sense that the SPD could be blamed by the government parties for not taking its share of responsibility and blocking much needed welfare state reform. In fact, a minority within the SPD, including Gerhard Schröder, made rather similar proposals as the government parties and was in favour of a consensual approach (Aust 2003: 4). Nonetheless, the SPD aimed for a polarization strategy, especially after Oskar Lafontaine had become party chairman in November 1995 (Jochem 1999: 42).

Be that as it may, we may still wonder why the CDA did not use its vetoposition as in the 1980s, in particular if we bear in mind that the majority of the government parties had shrunk to ten seats in the Bundestag. As such, five votes would have been sufficient to block the reform. However, only the CDA chairman voted against the proposal (SZ 11.05.1996). To explain this, we can identify at least four developments. First, there was an element of policy learning involved. Once the magnitude of the collapse of the Eastern German Labour market became apparent - reinforced by the 1993 recession, globalization discourses and the need to comply with EMU criteria - many CDA members became convinced that some liberalization of the labor market, especially in dismissal law, would promote employment growth (Zohlnhöfer 2001c: 676; Clasen 2005: 87). Second, this context of austerity implied that those CDA politicians opposing retrenchment also had to oppose several other cuts proposed by the CDU business wing (FAZ 14.01.1996; Zohlnhöfer 2001c: 676). Third, Blüm and the CDA responded by mainly concentrating on introducing the long-term care insurance scheme in 1994 and securing this scheme as well as old age pensions (Zohlnhöfer 2001c: 677).

Fourth, and finally, the CDA’s position within the CDU had weakened. We have seen that the CDA’s internal influence had already been reduced by the late
1980s. In addition, the CDA lost influence in the Bundestag. This became painfully clear after the election of a market-liberal CDU politician as chairman of the parliamentary group ‘Labor and Social Affairs’ (Zohlnhöfer 2001a: 12). This had been the CDA’s key domain since it had been established in the early fifties. Accordingly, the parliamentary group increasingly reoriented itself in a neo-liberal direction (FAZ 09.12.1995).

The CDA’s influence decreased further when, Rainer Eppelmann, a former Eastern German became chairman in 1993 after the former chairman had criticized the 1993 retrenchment package as being too liberal. This was because the CDA hardly had any members in the new, rather secularized Länder and because membership rates sank rapidly in the increasingly secularized West (Zohlnhöfer 2001c: 677). Its membership rates declined from 40,000 in 1980 to approximately 32,000 to 35,000 in the late 1980s and 24,782 in 1997. Instead, membership rates of the business wing had increased sharply. The Wirtschaftsrat had 5,500 members in 1980 and the MIT 20,000. By 1997, these numbers had nearly doubled to 8,500 and 40,000, respectively (Zohlnhöfer 2001a: 5, 12). Hence, while the CDA had almost double as many members as the business wing in 1980, the opposite was the case in 1997. To say the least, this development was not really outbalanced by the decline in trade union density rates from 33.6 percent in 1991 to 25.7 in 1997 (FOWID 2006a: 8). Moreover, Eppelman was almost completely loyal to Kohl because he did not want to bring Kohls position as chancellor into danger on the issue of the 1996 retrenchment package (Zohlnhöfer 2001: 677; Bösch 2002: 46). Hence, the CDA had given up its vetoposition and, all in all, had lost its profile as a significant social and left-wing organization within the party.

How Traditionalists Managed to Soften Retrenchments in 1997

Bearing in mind the worsening economic situation and the strong weakening of the CDA, we may by now even start to wonder why the 1997 pension reform was not as large and path-breaking as the 2001 pension reform implemented by the red-green coalition. The main features of the 1997 pension reform were to:

- Introduce a demographic factor in the pension formula (leading to a reduction of a standard pension from 70 percent to 64 percent

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- Tighter eligibility criteria for disability pensions
- Increase the federal subsidy with 1 percent (approximately 17 billion DM)
- Raise child credits from 75 percent to 100 percent in addition to employment related-benefits

The initiative came from the FDP, employer organizations, the CDU business wing, the party’s youth union and CDU politicians with more pragmatic orientations. Normatively, these actors justified pension reforms by pointing at the importance of intergenerational justice. Cognitively, they referred to contextual factors such as declining economic conditions, the costs of unification, constraints posed by EMU convergence criteria and population ageing as justifications for more severe retrenchment in public spending and an increased role of private pensions (FAZ 23.04.1993, 03.01.1994; Nullmeier 1997; Richter 2001). Strategically, all these contextual factors provided much impetus for those who had already advocated less state and more markets since the late 1980s (cf. Clasen 2005: 110).

As a consequence, social minister Blüm and chancellor Kohl agreed to establish a commission on pension reform in May 1996, chaired by Blüm, despite the fact that Blüm in particular was not convinced of the need for structural reform. Initially, the commission was supposed to include representatives of the major parties and all relevant interest group. However, from the start, the SPD refused to co-operate and Lafontaine set up the SPD’s own pension commission. As to the government commission, Blüm selected only one CDU politician with market-liberal orientations. By and large, the other commission members were in favour of maintaining the status quo. Not surprisingly, the commission’s proposal of January 1997 recommended that the basic principles of the pension scheme (e.g. wage replacement and pay-as-you-go financing) should be maintained (Richter 2001: 54-82; Schludi 2005: 139-40). In fact, apart from the increase in the federal subsidy, the key elements of the eventual reform (see above) can already be found in the commission’s report (BMAS 1997).

At this point, one may ask why the report included the introduction of the demographic factor which reduced the net replacement rate for a standard pensioner from about 70 percent to 64 percent. Interviews suggest that the proposal came from Bert Rürup, a professor in economics and a member from the SPD. As we shall see below, Blüm himself opposed the measure. However, Blüm and the CDA were convinced that the SPD would moderate the cut later onwards (FAZ 03.02.1997).
The commission’s report became the key document to be discussed by the CDU’s highest executive organ in March 1997. However, CDU politicians in favour of retrenching public pensions and expanding the role of private provisions complained that they were not given sufficient time to read the proposal and that they were actually confronted with an accomplished fact (FAZ 29.01.1997; Richter 2001: 55, 75). In fact, one of the few changes achieved by the youth union, the CDU business wing and politicians with more pragmatic orientations was to improve conditions for private pensions as soon as the situation on the labor market improves. About six weeks later, however, this element was withdrawn on Blüm’s insistence (Richter 2001: 98-9). In addition, the report of the government commission was altered by proposing an increase of the federal subsidy. This modification was primarily enforced by Blüm and his allies from the CDA against the vehement resistance of the CSU Finance Minister (Richter 2001; Schludi 2005: 140). A few weeks later, Blüm successfully pushed through the proposal at a party conference by threatening to resign if it was not be adopted (SZ 03.02.1997, FAZ 04.02.1997). Consequently, the CDU’s official position virtually did not incorporate the opinion of internal skeptics and largely reflected Blüm’s position.

Frustrated by the CDU’s official position, the FDP, the smallest coalition party, set up its own pension committee (SZ 03.02.1997). From the perspective of the liberals, more severe retrenchment of public pensions was needed. Moreover, the FDP also fiercely opposed the intention to raise the federal subsidy. Last but not least, the party even threatened to leave the coalition if the CDU did not drop its plan to extend social insurance coverage to various groups in atypical employment (like persons with low-paid jobs), a suggestion made by the government commission (Richter 2001; Schludi 2005: 140-1).

In April 1997, the government parties formed a joint working group, which basically agreed upon the CDU proposal. However, as a concession to the FDP and the CDU business wing, the proposal to extend social insurance coverage was withdrawn (Richter 2001: 97). Afterwards, Blüm and the CDA once again tried to bring the SPD on board (FAZ 07.05.97). However, the SPD had its own reform agenda and was unwilling to co-operate. From the perspective of the SPD, revenues were to be further increased by extending social insurance to groups in non-typical employment. As such, no retrenchments were needed (Richter 2001: 160-1; Schludi 2005: 141). This position hides internal disagreements between traditionalists and
pragmatists within the SPD. Whereas the majority within the SPD was opposing pension cutbacks, Gerhard Schröder and Hans Eichel embraced the government’s proposed cuts and collaboration with the government (FAZ 09.11.1997, 01.12.97). To the regret of the CDA, however, the FDP chairman had repeatedly warned the CDU not to form an informal grand coalition due to internal disagreements between the CDA and the business wing (FAZ 03.02.1997, 07.05.1997).

In May 1997, Blüm offered to negotiate with the social partners. It was only at this stage, that the social partners were given any direct access to the policy-making process. However, Blüm already was largely bound by the decisions made by the government parties and thus had only limited room to compromise (Richter 2001: 84-9; Schludi 2005: 142). At the same time, employers’ associations had been able to exert some influence due to their programmatic proximity to the CDU business wing and the FDP (Richter 2001: 133). In particular, it is worth recalling that the initiative for the reform came from the FDP, employer organizations, the CDU business wing, the party’s youth union and CDU politicians with more pragmatic orientations. As to the trade unions, it is worth recalling that the measures adopted in the 1996 Growth and Employment promotion Act had seriously worsened the relations with the government parties. Whereas the CDA and Blüm asked the trade unions to convince the SPD to return to a consensual path (FAZ 04.08.1998), the trade unions generously supported the 1998 election campaign of the SPD in the hope that this party would restore welfare cuts implemented by the Christian-liberal government. In hindsight, this strategy turned out to be successful (Schludi 2005: 142).

At the other side of the political spectrum, the FDP, the CSU finance minister, the CDU business wing, the CDU’s youth union and CDU politicians with more pragmatic orientations continued to oppose the reform since it did not go far enough (FAZ 20.03.1997, FAZ 29.06.1997). One of these more pragmatic politicians was the CDU fraction leader in the Bundestag, Wolfgang Schäuble (FAZ 03.01.1994, 20.03.1997). Schäuble had a background in economics and welcomed the demographic factor as a ‘revolutionary step forward’. He poses that ‘by July 1997, after long resistance by Norbert Blüm, we (the CDU) finally agreed to cope with the problems of the pension system in a structural way by introducing the demographic factor’ (Schäuble 2000: 22).

Afterwards, we witness a change in the pension bill proposed by the government parties. Initially, it required the approval of the SPD, since it had a
majority in the Bundesrat. However, the government now circumvented the veto potential of the Bundesrat by splitting the reform package into two parts. The first part comprised the actual reform, including the demographic factor. This did not require Bundesrat approval. The second part concerned the increase of the federal subsidy, which was actually proposed by the SPD as well. Nevertheless, the SPD’s approval was not to be taken for granted since the party’s approval could also be understood as collaborating with the pension reform in general. After long negotiations, the SPD eventually approved the bill without major modifications in December 1997. This was because the SPD’s disapproval would have resulted in an increase in the pension contribution rate from 20.3 percent in 1997 to 21 percent in 1998, a development for which the party did not like to be blamed for (Richter 2001; Schludi 2005: 142-3).

The strategy of the SPD seems to have paid off. Despite several warnings by Blüm and many CDA members (FAZ 30.01.1997), the SPD won the 1998 elections and the CDU-CSU lost disproportionately among older age groups (Schludi 2005: 143-4). Furthermore, to the regret of the CDA, the lack of support from the SPD further strengthened those embracing market-liberal reforms within the CDU. Nonetheless, backed by chancellor Kohl, Blüm was very successful in pushing through his traditionalist preferences. Most notably, despite declining economic conditions and a strong weakening of the CDA, he effectively prevented his intra-party opponents from joining forces with the FDP and therefore managed to prevent more severe cuts.

6.3 How’s Life after 100 Days in Government? The Marginalization of Traditionalists within Social Democracy

By the late 1990s, the public pension system’s persistent financial problems continued. Furthermore, economic growth rates increased from 2 percent in 1998 to 3 percent in 2000 but declined afterwards. In early 2002, the economy went into a recession and unemployment rates declined from 10 percent in 1998 to 8 percent (Bleses and Seeleib-Kaiser 2004: 30-33). However, whilst acknowledging the importance of these figures, parties again did not respond mechanically.

Especially within the SPD, it was far from clear which social policies would be pursued when the party formed a government with the Greens in late October 1998 (Egle and Henkes 2003: 67). During the first hundred days, the government restored several cuts that had been implemented by the Christian-liberal coalition and had
received fierce criticisms from the trade unions and most within the SPD. These included the so-called demographic factor, retrenchments of disability pensions, the cut in sick pay and the liberalization of dismissal law. However, once a coalition of pragmatists had become dominant within the SPD by early March 1999, the party sought new solutions to cope with welfare austerity, including private pensions and pension retrenchment.

Historically, the DGB has influenced the SPD’s policy direction to a large extent (see chapter five). In 1983, the relationship between the SPD and the DGB cooled when the party included some left-libertarian demands in its election campaign. It improved only when the 1987 chancellor candidate catered to the party’s core blue collar constituency (Kitschelt 1994: 247). The attempt to synthesize diverse values was personified by Oskar Lafontaine, the leading candidate in 1990, who combined a left-libertarian image with an appeal to manual workers in his home state (Padgett 1994: 22-3). Under the leadership of Rudolf Scharping, the party cautiously started to orient itself more towards neo-liberalism. As the party remained in the opposition benches, Lafontaine replaced Scharping at a party congress in 1995. By then, Lafontaine had joined forces with the trade unions (Hörnle 2000: 413). He had Keynesian economic ideas, reinforced the SPD’s image as ‘the party of social justice’, and perceived employees, the elderly and the unemployed as the party’s core constituencies (Lafontaine 1999: 105; Hering 2004: 112).

Instead, Gerhard Schröder, the chancellor candidate in the September 1998 elections, was more in favour of a rapprochement with neo-liberalism. According to party insiders, he had already advocated this position when he was active in the SPD’s rather leftist youth organization in the 1970s (cf. also Schröder 2006: 33-4). Moreover, Schröder was among the few within the SPD who actually was in favour of both the 1996 retrenchment package and the 1997 pension retrenchments. Both Schröder and Lafontaine were born during the Second World War, were raised in poor families, became SPD member in the mid-1960s, had a long party career outside the DGB and had been prime minister of a Western German federal state since the mid-1980s. As such, we have a case of diverging orientations despite comparable backgrounds.

Schröder and Lafontaine represented two types of SPD voters. Lafontaine appealed to the party’s core constituencies with promises to restore welfare cuts under a leftist government. This group comprised two thirds of the SPD’s electorate in 1998
of which 20 percent was a trade union member. The other category included one third of the SPD’s 1998 electorate of which 13 percent was a trade union member. Within this group, two thirds had supported the CDU-CSU and one third the FDP during the 1994 elections. Schröder appealed to these swing voters by promising ‘not to make everything different, but to improve many things’. Despite the fact that the share of people in industrial employment had declined from 40 percent in 1980 to 30 percent by 1999, industrial workers were well-represented in both groups (Falter 2001). Indeed, the issue of pension cuts can hardly be overestimated as a key factor in the disastrous defeat of the Christian democrats among workers and elderly voters (Schludi 2005: 143-5).

Though likeminded within the SPD were the most dedicated supporters of Schröder’s candidacy, many left-wingers also supported him because his electoral popularity in his home state and the polls seemed to foreshadow the way back into government. Accordingly, Lafontaine supported his candidacy once Schröder managed to win the elections of Lower Saxony a few months before the Bundestag elections (Lafontaine 1999: 81-92).

However, the position of those most oriented towards neo-liberalism, including that of Schröder himself, remained weak within the party. To quote Schröder, ‘Lafontaine was the unchallenged star of the party. I instead was perceived as someone who was too pragmatic and too focused upon power, and who diverged from the party’s soul’ (Schröder 2006: 119). As such, the party congress easily passed an election manifesto that had been prepared by Lafontaine, against the demands of pragmatists within the party like Schröder and Wolfgang Clement (Lafontaine 1999: 102). The program emphasized traditional social democratic goals: defending the status quo of the welfare state, lowering taxes for people with low and medium incomes, and protecting workers, the elderly and the unemployed (SPD 1998; Lafontaine 1999: 98-110; Hering 2004: 104). In addition, Lafontaine had written a so-called Hundert Tage Program (Hundred Days Program) in collaboration with the SPD’s trade union faction (FAZ 16.03.1998). The aim was to restore several cuts that had been implemented by the former government, including the demographic factor. Furthermore, Schröder unsuccessfully tried to appoint an entrepreneur without a SPD career as economics minister. The intention was to show that the new government would also be near to business (Schröder 2006: 106).
Nonetheless, the moment when Schröder became chancellor candidate was the beginning of a radical change of power distributions within the SPD. First, Schröder appointed Walter Riester as social minister, whilst ensuring that Rudolf Dressler did not receive any responsibility for social policy in government. Riester was the vice-chairman of the metal workers’ union but was known as an independently minded pragmatist without any experience in the Bundestag. During the last years of the Kohl government, he had consistently argued that major cuts in public pensions were inevitable due to demographic changes (Trampusch 2005: 19; Stiller 2007: 116-20). Dressler, by contrast, was a prominent traditionalist who was not convinced of the need for such retrenchments. Dressler had been the key architect of SPD social policy during the 1980s and 1990s. Since 1984, he had also been the chairman of the Arbeitsgemeinschaft für Arbeitnehmerfragen (the SPD trade union faction). Dressler was the parliamentary fraction’s candidate of choice. Though he remained a member of parliament, his influence over social policy diminished due to personnel changes within the parliamentary faction. Accordingly, he gave up all his party functions in August 2000, and was replaced by the former educationalist Ulla Schmidt, a pragmatist who developed good relations with Riester.

Second, and most importantly, after the government had implemented Lafontaine’s Hundred Days Program and Lafontaine had ironically enough been in office for about hundred days, Oskar Lafontaine suddenly resigned as finance minister and party leader in March 1999. In his memoirs, Lafontaine argues that Schröder was the key person responsible for his retreat (e.g. Lafontaine 1999: 129, 229). Throughout this book, Lafontaine is skeptical about SPD politicians, notably Schröder and Clement, who embrace neo-liberal principles and co-operate with business representatives (e.g. ibid: 46, 62, 222). By contrast, ‘successful social democratic politics is only possible through tight co-operation between social democrats and trade unionists’ (ibid: 115). Hence, Lafontaine perceived the trade unions to be at the heart of the SPD, despite the fact that union density rates had decreased from 33.5 percent in 1991 to 24.5 percent in 1998 (FOWID 2006a: 8).

The loss of its powerful leader would leave the left wing in complete disarray until June 2000, and implied the quite sudden marginalization of traditionalists. In that month, the by then small group of 70 left-wingers elected Andrea Nahles, a young

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12 The following overview of changing power distributions within the SPD partly draws on a fascinating analysis by Martin Hering (2004) focusing on the 2001 pension reform.
member of the Bundestag and former chairwoman of the SPD’s leftist youth organization, the Jusos. Instead, Schröder managed to strengthen his internal position considerably by becoming the new party chairman on March 12th 1999. Moreover, Schröder nominated the former educationalist Hans Eichel as finance minister who, unlike Lafontaine, shared the chancellor’s ideas about the need to pursue budgetary restraint (Schröder 2006: 435). We have seen earlier that Eichel, like Schröder, had been among the few SPD politicians who had actually supported the 1997 pension retrenchments and had argued in favour of co-operating with the Christian-liberal government on this issue.

Third, personnel and organizational changes further helped Schröder to strengthen his internal position from March to September 1999. For instance, Schröder created the office of general secretary, in effect the party executive, above the existing position of the federal secretary. He filled this influential position with Franz Müntefering, a Schröder loyalist who was also respected by the left wing. To pave the way for Müntefering, a left-winger and social policy expert, resigned as SPD federal secretary. Moreover, Schröder incorporated the leader of the SPD’s Bundestag fraction in a small inner circle of governmental decision-making in order to replace Lafontaine. The fraction leader had been one of the few people in the SPD who immediately supported the *Neue Mitte* (New Centre) paper. Given that Lafontaine’s power in government was lost, the threat to veto legislation in the Bundestag became more important for the left wing to represent its interests. Therefore, the role of the parliamentary party became more important.

However, this did not imply that the SPD left wing had much influence. In June 1999, Nahles proclaimed that the reconstituted left wing would end its isolation from governmental policy making and build an alliance with the party’s center of power rather than concentrating its work on criticizing the party’s leadership. From his part, Schröder replaced the head of the chancellor’s office by the deputy to smoothen the relationship between the chancellor and the parliamentary party. Both were longtime Schröder confidants (Schröder 2006: 103). However, while the deputy was an experienced back-ground negotiator, the head as co-author of the *Neue Mitte* paper and the architect of Schröder’s pension reform plans was not popular among

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13 Without prior debate, Schröder went public in June 1999 with a paper that he had jointly authored with Tony Blair. This provoked deep intra-party conflicts, especially because the proposed policies conflicted strongly with the traditional social democratic goal of reducing earnings inequality. Instead, the FDP embraced the paper and pleaded for immediate adoption by the Bundestag.
SPD parliamentarians. Schröder filled the deputy’s previous position with someone who belonged to a group called the “youngsters”. This group comprised at least 40 parliamentarians by then (FAZ 20.03.1999). It was an attempt by pragmatists within the SPD to integrate young generations whilst bypassing the leftist Jusos. Its pragmatic orientation makes it an important counterweight to the Jusos (Bösch 2003).

A Liberal Reform Agenda after the Marginalization of Traditionalists within the SPD

From the outset, Schröder and Riester had been convinced of the necessity to retrench public pensions in order to compensate for the retraction of the demographic factor. Moreover, the pension scheme became a primary target of cost containment measures once Eichel had replaced Lafontaine in March 1999 (Aust et al 2002: 5). In June 1999, to gain time for a more comprehensive pension reform, the red-green coalition took a number of immediately effective measures aimed at containing rising pension cuts (see table 6.2). One of the most important measures concerned the suspension of the indexation of net wages for two years and the switch to consumer price indexation. This was even expected to exceed the impact of the retracted demographic factor (Schludi 2005: 147).

The measures stood in sharp contrast to the SPD’s election promises and triggered fierce public criticism, not less so from the SPD left-wing and the trade unions. With the support of the trade unions, the CDU accused the SPD of having spread an electoral lie (Schäuble 2000: 169; Schröder 2006: 270). As a consequence, the SPD suffered a large decrease in voter trust as a defender of the existing pension system. At the Länder level, the SPD, therefore, suffered substantial vote losses among traditional core voters (Schludi 2005: 147-8).

The two-year suspension of net-wage indexation was accompanied by Riester’s guiding proposals for structural pension reform. Two planned measures were especially criticized by the SPD’s left wing, the trade unions and the CDA. First, Riester proposed to reduce the benefit level from 70 to 64 percent. Second, to compensate for this cut, he called for the introduction of an obligatory second private tier amounting to 2.5 percent of gross earnings. According to a DGB representative, ‘this was a one-sided dispensation for employers. That was the purpose’ (interview). Moreover, the SPD left wing, the trade unions and the CDA feared that the public
A pension scheme would degenerate into a system that, over time, offered hardly more than a minimum pension (FAZ 07.06.1999; Stiller 2007: 112-3).

Table 6.2 Main pension reforms under the SPD-Greens governments, 1998-2005

<table>
<thead>
<tr>
<th>Period</th>
<th>Pension reforms</th>
<th>Role of traditionalists in SPD</th>
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<tbody>
<tr>
<td>1998</td>
<td>- Abolish the demographic factor</td>
<td>Strong</td>
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<td></td>
<td>- Retract tightenings in entitlement criteria for disability pensioners</td>
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<tr>
<td>January 1999</td>
<td>- Increase federal contributions</td>
<td>Strong</td>
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<td></td>
<td>- Widen the base of contributors by making part-time employees liable to pay</td>
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<tr>
<td></td>
<td>pension contributions</td>
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<tr>
<td>June 1999</td>
<td>- Index pensions to inflation rate in 2000 and 2001</td>
<td>Weak</td>
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<tr>
<td></td>
<td>- Reduce pension entitlements for periods of military service and receipt of</td>
<td></td>
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<tr>
<td></td>
<td>unemployment assistance</td>
<td></td>
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<tr>
<td></td>
<td>- Increase tax subsidies to pensions with revenues from eco-tax</td>
<td></td>
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<tr>
<td>2001</td>
<td>- Create an additional private or occupational pension promoted by tax</td>
<td>Quite weak</td>
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<tr>
<td></td>
<td>incentives</td>
<td></td>
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<tr>
<td></td>
<td>- Reduce standard public pension from 70 to 67 percent</td>
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<tr>
<td></td>
<td>- Cuts in survivors’ pension</td>
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<td></td>
<td>- Introduce a means-tested basic pension</td>
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<td></td>
<td>- Increase child-credits for parents with part-time work or low earnings</td>
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<td></td>
<td>and who have children aged from 4 to 10 by 50 percent</td>
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<tr>
<td></td>
<td>upto a maximum of 100 percent of average earnings</td>
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<tr>
<td></td>
<td>- Retract indexation to inflation in 2001</td>
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<tr>
<td>2003</td>
<td>- Freeze pension benefit for 2004</td>
<td>Weak</td>
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<tr>
<td></td>
<td>- Pensioners fully contribute (1.7 percent of pension) to long-term care</td>
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<td></td>
<td>insurance (previously half)</td>
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<tr>
<td>2004</td>
<td>- Introduce a demographic component in pension indexation (expected to</td>
<td>Quite weak</td>
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<tr>
<td></td>
<td>decrease the standard replacement rate by 17 percent from 2005 to 2030)</td>
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<tr>
<td></td>
<td>- Abolish education periods as credits for pension entitlements from 2009</td>
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<tr>
<td></td>
<td>(except for vocational education which is credited upto 3 years)</td>
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<tr>
<td></td>
<td>- Eligibility age for elderly unemployed raised from 60 to 63 between 2006</td>
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<tr>
<td></td>
<td>and 2008</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Maximum period for receipt of unemployment benefits for workers aged 55 or</td>
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<tr>
<td></td>
<td>older reduced from 32 to 18 months</td>
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<tr>
<td></td>
<td>- Increase in the tax-privileged maximum amount for employee-funded</td>
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<td></td>
<td>occupational pensions</td>
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Source: Own composition. Information on reforms derived from Clasen (2005), Hinrichs (2005) and Schludi (2005).
It was advantageous for Riester and Schröder that the pragmatic Ulla Schmidt was the parliamentary party leader in social policy, and not the traditionalist Rudolf Dressler. Whereas Schmidt publicly supported the proposals and argued that they were unavoidable, Dressler vehemently criticized them (Hering 2004: 115).

Nonetheless, faced with a broad front of critics inside and outside the SPD, Riester made a number of concessions. These changes were primarily aimed at appeasing the Christian democrats. According to Schludi, we can identify three reasons for the need to seek Christian democratic approval. First, given the likely electoral salience, the government sought to share political costs of unpopular pension retrenchments. Second, the CDU’s support in the Bundesrat was needed, since SPD-Länder lacked a clear majority. Third, by forging an alliance with the main opposition party, Schröder attempted to limit the influence of trade unionists and leftist reform opponents within his own party (Schludi 2005: 152). By seeking a pension compromise with the Christian democrats, pragmatists within the SPD would be able to implement a more far-reaching reform than would be politically feasible if the preferences of traditionalists had to be incorporated.

Riester made concessions to basically all of the CDU’s criticisms. First, within a week, he withdrew the plan for a minimum pension and the mandatory element of the private pension pillar. Yet, even the voluntary scheme still faced considerable resistance by the SPD left wing and virtually all trade unions, including the metal workers’ union of which Riester remained a member. In addition, the minister even went beyond CDU demands for a substantial extension of state subsidies and tax relief to private pensions, especially for families with children and higher income groups. In September 2000, Riester also restored the return to net wage indexation for the year 2001 (Stiller 2007: 113).

Despite these numerous and comprehensive concessions, the CDU continued to reject a pension agreement with the red-green government. A strong case can be made for the claim that the CDU was not opposing the reform on policy substance grounds. Already in December 1999, Schröder and the CDU’s new party leader, Wolfgang Schäuble, had met to discuss comprehensive pension reforms (Schäuble 2000: 189). We have seen earlier that Schäuble had rather pragmatic orientations. According to Schäuble, ‘the proposed reform could be a step in the right direction of a fundamental pension reform’ (ibid: 340). Likewise, Angela Merkel, the party leader since April 2000, was in favour of retrenching public pension levels and expanding
voluntary private pensions (Langguth 2005: 220). According to a party insider, ‘politicians like Merz (the fraction leader at the time) and Merkel set more liberal accents. Merkel surely is not close to the CDA, but she is not close to the MIT either. In pension politics, however, she represents a rather liberal position which is close to the MIT. There is not much that the CDA can do against this’ (interview). Norbert Blüm, for instance, opposed the reform. Moreover, he regretted that a market-liberal politician was asked to chair a key commission rethinking the party’s approach in social policy, while he was not even asked to become a member (FAZ 04.09.2000). Accordingly, the CDU, like the government, acknowledged the need for cuts in public pensions and advocated expansions of private pensions. However, the party still sought to exploit the pension issue electorally (Schludi 2005: 153; Stiller 2007: 111).

Only after it had become clear that the CDU was not prepared to engage in consensual reforms in October 2000, did minister Riester start to look for support for his proposal within his party’s left wing and the trade unions (Stiller 2007: 126). By then, he had already presented a second proposal, developed jointly by the SPD and the Greens, which was more radical than the first one (Hering 2004: 116). Apart from cuts in survivor pensions for those younger than 40, this proposal included a reduction in benefit levels for future pensioners from 70 percent to 54 percent in 2050. These plans went far beyond those of the preceding Christian-liberal government, which had aimed at a reduction of the standard pension level to 64 percent (Schludi 2005: 148).

Again, the plans triggered vehement criticisms from the SPD left wing and trade unionists (FAZ 31.07.2000, 27.09.2000). Initially, Schröder was successful in averting the changes put forward by these groups. In the party executive, Schröder managed to use his position as general executive to push through the reform package as a whole rather than to decide on single elements. This is the more remarkable if we note that only four out of 45 did not demand any changes (Schröder, Riester, Franz Müntefering and one parliamentarian) (SZ 03.07.2000; FAZ 04.07.2000). However, in the autumn of 2000, about 30 SPD parliamentarians announced they would vote against the reform, unless the government significantly altered its plans. Without their support, the reform would lack a majority in the Bundestag (Schludi 2005: 154).

Consequently, Riester made a few notable concessions to his party’s left wing and to the trade unions, which had formed a strategic alliance. Only after two of their core demands were satisfied, did the unions and the SPD left wing offer their consent. First, collectively negotiated occupational pensions would take precedence over
individual private pensions. Second, the level of standard pension benefits had been altered from 54 percent by 2050 to 64 percent by 2030 in mid-July 2000, and was replaced by a reduction from 70 percent to 67 percent in December 2000. The latter was due to a threat to block the legislation by SPD deputies associated with the trade unions. This success of the unions was facilitated by the fact that the measure was also opposed by virtually all other actors (the Greens, the opposition parties, employers’ organizations and most academic experts). They were all critical because it only entailed gradual benefit cuts for those retiring after 2011. Hence, it would have violated generational justice (Schludi 2005: 154-5; Stiller 2007: 114).

During the final stage of the parliamentary process, the government was able to gain the required support from the Bundesrat by buying off two CDU governed Länder in May 2001. This deal included the establishment of a federal agency managing private pensions in the two Länder. As to policy content, cuts in widow pensions were reduced, tax benefits for private pensions were improved and the range of products to be included (and funded) under the private scheme was extended (Schludi 2005: 156; Stiller 2007: 115).

Given the numerous concessions during the process, the final pension legislation deviates strongly from the original proposal. Nevertheless, it remains quite remarkable that the red-green coalition initiated and implemented a more market-liberal pension reform than its Christian-liberal predecessor. Thus far, we have stressed the relevance of the marginalization of traditionalists within the SPD in general, and the roles of Riester and Schröder in particular. As to the smallest coalition party, the Greens, it is worth noting that the 1998 coalition agreement took over the SPD’s rather traditionalist position on pension reform from the SPD’s 1998 election program (Hering 2004: 109). Once Riester proposed his plans, however, the Greens usually backed Riester and Schröder (Stiller 2007: 111). Moreover, they were usually prepared to go further than the SPD (FAZ 04.09.2000). In fact, the SPD and the Greens had jointly developed the most radical plan. Moreover, the size of the private pension tier was originally set at 2.5 percent but was increased to 4.0 percent in response to demands by the CDU-CSU, the FDP and the Greens (Schulze and Jochem 2007).

But why were the Greens willing to go down the road of potentially risky pension reforms? For one, the emphasis of the Greens lies on environmental issues and they had only limited incentives to exploit the pension issue during elections.
More specifically, the Greens’ core constituents – those with higher education and higher incomes – are to a lesser extent affected by pension cuts than the classic core constituents of the SPD and the CDU-CSU (FAZ 04.09.2000; Zohlnhöfer and Egle 2007: 34). Furthermore, the party is divided between the ‘realists’ who seek to advance policy causes through government participation and the ‘fundamentalists’ who believe that competing for office weakens the party’s policy posture (Harmel 1989). Whereas social policy orientations of the fundamentalists are closely related to the SPD’s left wing, realists are quite close to pragmatists within the SPD (Egle 2007: 107-8). To the regret of the SPD left wing (Lafontaine 1999: 146, 156), the Greens increasingly re-oriented into a neo-liberal direction after the realist wing had become dominant by 1998 with party leader Joschka Fischer as its figurehead (Egle 2003). As such, it may not be all that surprising that Schröder considers Fischer as the ‘stability guarantee’ of the red-green governments (Schröder 2006: 423).

The Continuation of Liberal Reforms under the Second Red-Green Coalition

Between 2002 and 2004, the economy plunged into a recession. Unemployment surpassed the psychologically important threshold of four million in mid-2002. And Germany failed to fulfill the EMU’s three procent deficit criterium from 2002 to 2005. All this provided strong political support for pragmatists within the SPD to push through market-liberal reforms. Chancellor Schröder and likeminded SPD-politicians were able to implement such reforms because of the marginalization of the SPD’s left wing and trade unions, the formation of an informal grand coalition with the CDU and the consistent backing by the Greens.

In March 2002, the weakening of trade unions accelerated. Unemployment again approached four million and the SPD’s re-election chances vanished in the polls. In this situation, Schröder skillfully exploited the approaching campaign and used his weakness in the polls as a source of strength. A scandal in job placement statistics was revealed in the Federal Employment Agency. While this was not news among federal politicians, it provided the opportunity to start another effort to reform labor market policies. Schröder appointed a commission under Hartz, the Volkswagen personnel director. It was to report in August, one month before the elections (Streeck and Hassel 2003: 118-9). Its 15 members included seven business representatives and only two trade union members (Trampusch 2005: 11). Eventually, it proposed ‘the
most comprehensive welfare retrenchment in postwar Germany’ (ibid: 3). However, according to a member of the Hartz commission, ‘the SPD left wing and trade unionists could not but support the Chancellor with the election looming’ (interview). Indeed, it is a widely held view amongst scholars on party behavior that internal wrangling wanes when electoral competition intensifies. ‘Once partisans focus on the general election, the interparty competition redefines the race and helps to mend interparty factions and divisiveness dissipates’ (Atkinson 1993: 275).

After the September election, Schröder allocated key ministries to three prominent SPD-pragmatists. Hans Eichel entered his second term as finance minister and shared the chancellor’s ideas about the need to pursue budgetary restraint. In addition, Ulla Schmidt, the former fraction leader, became social minister. We have seen that she had rather pragmatic orientations and played an important role in pushing through the Riester reform. Most notably, Schröder created a super ministry of economics and labor. He appointed Wolfgang Clement, who had a background in law and was a member of a neo-liberal thinktank funded by metal employers (Speth 2004). As one trade unionist put it, ‘the economics ministry traditionally belonged to the employer side and the labor ministry to the trade unions. Accordingly, there were natural differences of opinion which had to be solved in government. By merging the two ministries, however, they had robbed the ministry from the labor side. In fact, the ministry was dominated by the economics ministry’ (interview). Depriving the unions of their bridgehead inside the state facilitated large welfare cuts and expansions of private schemes (Hassel and Streeck 2003: 120).

Finally, Schröder managed to further weaken internal opponents by expanding loyal departments and abolishing a leftist department in the chancellor’s office. As such, the chancellor’s office was by now merely occupied by Schröder loyalists (Korte 2007: 180-1). This office monopolized the development of the so-called Agenda 2010. The latter contained a ‘comprehensive program for a far-reaching overhaul of the German welfare state’ (Hinrichs 2005: 21). This rendered the SPD’s 2002 election program and the coalition agreement meaningless (Korte 2007: 175).

A combination of fiscal deficits, bad economic performance, unpopularity in the polls and the continued opposition of the SPD’s left wing against retrenchments contributed to the development of the Agenda 2010 (Wagschal 2007: 351). The term Agenda 2010 suggests that the European Union’s Lisbon Strategy had a large impact on its development. This is because the Lisbon Strategy entails the ambition to make
the EU ‘the most competitive and dynamic knowledge-driven economy by 2010’. According to Chancellor Schröder, however, his wife had made up the term (Schröder 2006: 393). Interviewees argued that the European Employment Strategy (EES) and the Open Method of Coordination on pensions played facilitating roles and were used very selectively by pragmatists within the SPD to help them to push through their proposals. Moreover, in an official publication of the DGB, trade unionists pose that pension reforms merely aimed at improving financial sustainability but neglected other ambitions of the OMC on pensions like reducing poverty risks and adapting pension schemes to changing societies and labour markets (Engelen-Kefer and Wiesehügel 2003: 10, 28). Although the EES has neither been the trigger of the Agenda 2010, it can still be considered in part as contributing to specific elements of the eventual reforms as there were some sonceptions that pragmatic SPD politicians tried to implement. According to a civil servant at the economics and labor ministry, ‘gender mainstreaming or life-long learning are concepts, which we always use. “Make work pay” corresponds to the basic idea of Hartz IV: “Fördern und Fordern” (actively supporting and demanding)… The next point is active ageing. There have been certain developments of consciousness… There are numerous measures, with the objective to provide incentives for the employers to offer jobs also to older employees’ (in Heidenreich and Bischoff 2008: 25). However, welfare reforms are not a direct result of the EES. These reforms have been developed in the chancellery and not in the ministry of economics and labor, which was responsible for the German contribution to the EES (ibid). As another civil servant puts it, ‘the Agenda 2010 was conceived relatively independently from the EES’ (in ibid).

Officially, the initiative to set up the Agenda 2010 was triggered by the failure of trade unions and employers’ associations to reach consensus on future welfare reforms in the ‘Alliance for Jobs’ on March 5, 2003 (Schröder 2006: 89-91). However, Schröder and the head of the chancellery had already started the preparations for the Agenda 2010 during the 2002 election campaign (Schröder 2006: 390-1; Korte 2007: 175). According to Schröder, ‘only Wolfgang Clement, Franz Müntefering and Joschka Fischer were informed. All agreed with the initiative’ (Schröder 2006: 391). Just before Christmas 2002, the chancellor’s office sent the plans to the press and Horst Seehofer, the social policy expert of the CDU-CSU, without having informed the SPD’s parliamentary party. Seehofer replied that ‘the paper could also have been written by Christian democrats’ (in Korte 2007: 175). In
addition, the deputy fraction leader of the Greens noted that the Greens agreed with
the paper in general and its emphasis upon the need to lower supplementary wage
costs in particular. As such, they concluded that ‘the chancellor had mainly written
the paper for his own party’ (FAZ 21.12.2002).

Their conclusion seems correct. Whereas the SPD general executive labeled
the Agenda 2010 ‘a consistent modernization program’, the deputy leader of the
parliamentary party declared that he would not accept ‘neo-liberal politics with red-
green rhetorics’ (in De Korte 2007: 175). Moreover, trade unions threatened with
massive campaigns against the Agenda 2010 (Schröder 2006: 398).

In the wake of the development of the Agenda 2010, Schröder and minister
Schmidt had set up the Rürup commission (after its chairman the economist and SPD-
member Bert Rürup) on December 13, 2002. Moreover, since it was not yet clear
within the SPD which pension policies would be pursued, minister Schmidt raised the
contribution rate as an emergency measure. The Greens agreed with the reform, but
demanded that a commission on pension reform was set up. If not, they even
threatened to leave the coalition (FAZ 02.12.2002; Trampusch 2005: 14). The
commission’s task was to propose policy changes for a financially sustainable
development of pensions (and the health and long-term care scheme). Its 26 members
included nine academic experts, eight business representatives and four trade
unionists. The main proposals were:

- a gradual increase in the statutory retirement age from 65 to 67 from 2011 to 2035
- the introduction of a demographic factor in the pension formula (expected to
decrease the standard replacement rate by 17 percent between 2005 and 2030)
- an extension in private pensions to all tax-payers

The formation of the Rürup commission and the Hartz-commission legitimimized
reforms and especially reduced the influence of trade unionists and other
traditionalists (Wessels 2007: 163-4). Notably, the four trade union members of the
Rürup commission unsuccessfully opposed the commission’s proposals. Their main
complaint is that the majority of the commission merely focused at retrenching public
pensions and extending private pensions from an early stage on, whilst excluding the
possibility to extend coverage in order to secure the current scheme (Engelen-Kefer
and Wiesehügel 2003: 42-3). Moreover, the formation of commissions implied that
the SPD’s parliamentary party was not involved in developing proposals. This is remarkable, since more than half of the SPD politicians in parliament belonged to the party’s left wing by then (Meyer 2007: 92).

By contrast, a BDA representative noted that his organization had participated in the Rürup commission, had suggested the proposals outlined above and had obviously supported these. ‘But we did not think, hope or expect that these proposals would be implemented so radically one to one by a red-green government. I also often announced publicly at the time: I am not sure whether the Kohl government would have taken such a radical step’ (interview).

In March 2003, Schröder announced the Agenda 2010 that embraced the proposals of the Hartz commission and the intention of the Rürup commission to retrench public pensions and expand private provisions (Schröder 2003). As a matter of fact, Schröder went beyond the proposals of the Hartz commission. For instance, he accepted the paradigm change from a salary-based to a means-tested benefit for the long-term unemployed, but also noted the government’s intention to reduce the maximum period for receipt of unemployment benefits for workers aged 55 or older from 32 to 18 months. Not surprisingly, the thus far marginalized SPD’s left wing and the trade unions responded furiously.

However, the unions were in a weak position for reasons outlined above and, moreover, failed to mobilize against the Agenda 2010. Likewise, the SPD left wing by and large fought in vain against it (Hinrichs 2005: 22). At a special party conference convened at their initiative in June 2003, Schröder managed to push through the Agenda 2010 by putting his position as chancellor at stake (Bernhard and Roth 2007: 35). Nonetheless, the SPD left wing was able to push through a clause in the eventual law on pension reform that requires the government to put forward proposals once the standard replacement rate decreases below certain levels (Hinrichs 2005: 22; Schmidt 2007: 303).

The party conference was not the end of the opposition of the trade unions and the SPD left wing against the Agenda 2010. For instance, both the CDA chairman (SZ 22.10.2003) and the chairman of the trade union for the building industry publicly appealed to the SPD left wing to vote against the Agenda 2010 in the Bundestag (Schröder 2006: 402). Such a strategy was certainly to be taken serious, since merely five votes from the coalition parties would have been sufficient to block the reforms. In order to prevent a critical mass of SPD politicians from defection in the final vote
on pension legislation, minister Schmidt therefore dropped the intention to let people retire at age 67 (SZ 22.10.2003).

In November 2007, the law on pension reform was adopted in the Bundestag. minister Schmidt added two emergency measures. First, for the first time in German postwar history, the value of pensions witnessed a real decline due to a suspension of indexation in 2004. Second, from April 2004 on, pensioners were obliged to make a full contribution (1.7 percent of pension) instead of a half contribution to long-term care insurance. These emergency measures did not require the approval by the Bundesrat, in which the SPD-led Länder lacked a clear majority (FAZ 07.11.03).

This was only the first phase of the pension reform. Approval of the Christian democrats was required for the rest of the package and the government had sought approval of the Christian democrats from the outset on. This probably has also been partly due to the potential unpopularity of pension retrenchments. Nevertheless, most within the CDU did not seek to avoid such blame but instead argued that it was irresponsible not to support much needed reforms (FAZ 29.08.2003). In February 2003, CDU party leader Angela Merkel appointed the CDU’s own commission on reforming social security. Its proposals considerably overlapped with the government’s plans. Notably, it included a similar demographic factor, an expansion of private pensions in a comparable manner and a faster rise of the statutory retirement age to 67 years (CDU 2003: 37-51; Hinrichs 2005: 21). In a comparable manner as during the negotiations on the Riester reform, Schröder tried to limit the influence of trade unionists and leftist reform opponents within his own party by seeking the support of the CDU (cf. Zohlnhöfer 2004; Trampusch 2005).

Christian democratic politicians with more traditionalistic orientations, like the CDA chairman and the chairman of the CSU employee faction, opposed both the work of the CDU commission on social security reform and the government’s pension plans (FAZ 24.10.2003; SZ 08.03.04). They tried to blame the SPD for breaking its electoral promises (SZ 22.10.2003). However, they clearly formed a minority within their own party. To quote a party insider, ‘Blüm opposed the reforms during a party congress but was simply laught at. It seemed as if time had stood still for him’ (interview). As such, most within the CDU supported the pension reforms and the bill went through in the Bundesrat (Kornelius and Roth 2007: 35).

The so-called ‘informal grand coalition’ between SPD pragmatists and the CDU was a key feature of welfare state reform during the second term of the red-
green coalition (Trampusch 2005). For instance, chancellor Schröder and minister Clement had played a crucial role in pushing through the paradigm change from a salary-based to a means-tested benefit for the long-term unemployed (Stiller 2007: Ch. 6). However, six SPD politicians and six members of the Greens actually opposed it in the Bundestag. Nonetheless, it became law due to the support of the FDP and – with the exception of two politicians - the CDU (Zohlnhöfer and Egle 2007: 15).

As to the smallest coalition party, the Greens, it is worth stressing that they played an important role in setting up the Rürup commission and backed the government’s pension policies (FAZ 28.09.2003). For instance, the Greens had already pleaded in favour of the introduction of the demographic factor since early 1999 (FAZ 16.02.1999). However, the formation of an informal grand coalition and the fact that the Greens did not obtain a relevant ministry in social policy implied that the Greens were not all that influential (Egle 2007: 108). Finally, it is worth recalling that the dominant realist wing, with Joschka Fischer as its figurehead, was quite close to pragmatists within the SPD and secured the stability of the two red-green alliances. For example, the Greens’ left wing responded to the Agenda 2010 by claiming that red-green was not re-elected to ‘retrench the welfare state’ (in ibid: 107). However, its party leader Joschka Fischer pointed out that the welfare state ‘would be fully abolished by another government, if the red-green government did not implement the unpopular but necessary reforms’ (in ibid).

6.4 Conclusion

The Agenda 2010 hit the traditional core of the SPD’s constituencies. Its unpopularity impelled 100,000 leftist party members to leave the party (Zohlnhöfer 2007: 14). Moreover, the relationship between the SPD and the DGB was at an all time low (Hassel 2006: 22). As a consequence, in July 2005, a leftist faction of dissident SPD politicians and trade unionists formed an electoral alliance with the former Eastern German socialist party. It was to be led by Oskar Lafontaine. In September 2005, this alliance became the winner of the election. By contrast, the SPD and the CDU-CSU were the clear losers and their shares of the vote sunk to levels not seen since 1953. The key reason for the loss of the Union was an offensive campaign aimed at further welfare retrenchments (Kornelius and Roth 2007: 38). From his part, Schröder managed to limit the losses by embracing a traditional social democratic pro-welfare
program which had nothing to do with the Agenda 2010 (Schmidt 2007: 302). Nonetheless, the share of trade union members within the SPD’s electorate halved, shrinking from 18 percent in 1998 (Falter 2001: 215) to 9 in 2005. By and large, this occurred at the expense of the leftist alliance (Kornelius and Roth 2007: 55).14

All in all, the paragraph above clearly points at the electoral salience of the pension issue and other major welfare programs. Nonetheless, the current coalition between the SPD and the CDU-CSU agreed to complement active labor market policies for older workers with a gradual rise in the statutory retirement age to 67 until 2029 and a gradual increase in the early retirement age from 60 to 63 (Weishaupt 2008: 285-8). In the previous section, it became clear that a majority within the SPD and the CDU-CSU had already favored retirement at age 67 in 2003, but that it was blocked by the SPD left wing by then. This leads a trade unionist to conclude that, ‘though we are dealing with two traditional welfare state parties, I have the impression that the CDU business wing is stronger than its employees wing. I also have the impression that neo-liberal politicians within the SPD remain dominant. This explains why these parties implement the policies, like retirement with 67, that we are witnessing today, despite the fact that the election mandate is something completely different’ (interview).

This brings us to the propositions on the relevance of intraparty dynamics. The propositions imply that once a situation of failure to dominate government has triggered a coalition of pragmatists to become dominant within a social democratic and a Christian democratic party, the party is enabled to seek new solutions to cope with welfare austerity, including private pensions and pension retrenchment. In this chapter, I have argued that the initially very moderate change in pension policy under the Christian-liberal government can to a large degree be explained by the strong position of traditionalists, notably the CDA, within the CDU until the late 1980s. Between the early 1990s and 1998, the position of traditionalists weakened against a background of declining economic conditions and increased secularization. Nonetheless, minister Blüm, a key CDA representative, managed to prevent more severe pension retrenchment as demanded by the FDP, radicalizing employers’

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14 The halving of the share of trade union members voting for the SPD is particularly remarkable because the SPD’s total vote share decreased from 40.9 percent in 1998 to 34.2 percent in 2005. Although this is partly counterbalanced due to a decrease in union density rates from 24.5 percent in 1998 to 19.8 in 2005 (FOWID 2006a: 8), the fact remains that over half of the trade unionists voting for the SPD in 1998 had left the party by 2005.
associations, the CDU’s business wing and other CDU politicians with more pragmatic orientations. Despite worsening economic conditions and de-industrialization, the social democratic-green coalition pursued a traditionalist reform agenda until the left within social democracy was marginalized by mid-1999. Since then, the party has implemented rather market-liberal pension reforms.

In agreement with my propositions, government exclusion spurred a critical moment of reflection, that is, puzzling within the CDU. This took place against a background of austerity and secularization. It had important consequences for the internal power distribution, triggering a coalition of pragmatists to become dominant in the CDU from 1998 to 2005. The importance of office-seeking behavior is also shown by the SPD. Although likeminded within the SPD have been the most dedicated supporters of Schröder’s chancellorship candidacy in the elections of September 1998, many left-wingers, including Lafontaine, also supported him since his electoral popularity in his home state and the polls seemed to foreshadow the way back into government.
Chapter five presented a remarkable finding on German family policy. I found that power resource theory sheds quite some light on family policy until 2005. From then on, however, Christian democrats suddenly implemented policies supporting working mothers rather than the traditional family.

This chapter explores the explanatory power of the proposition on organizational change and family policy outlined in section 2.5. The proposition implies that, against a background of secularization and women’s emancipation, failure to dominate government is the catalyst triggering a coalition of equal right supporters to become dominant within a Christian democratic party. Here, I focus on the CDU in particular, since it clearly is the largest German Christian democratic party. Moreover, throughout the postwar period, the CDU has always delivered the prime minister and the family (and women’s) minister(s) when the CDU-CSU participated in government.

The chapter is structured as follows. The first section analyzes family policy under the Christian-liberal coalition. The second section studies family policy between 1998 and 2005, the period when red-green coalitions were in office. The third section analyzes the grand coalition’s agenda in family policy. Finally, section four concludes.

7.1 The CDU in the Christian-Liberal Coalition: The Dominance of Famialists Declines but Remains

In line with power resource theory, the return to office of the CDU-CSU in a coalition with the FDP in 1982 meant that the traditional family would be promoted. During its period in opposition, the CDU had considered how it could continue to support the traditional family in a period of secularization and increasing female labor market participation. The number of church-attending Catholics had declined from 25 percent of the German electorate in 1953 to 15 percent in 1975. However, the share of churchgoing Protestants continued to hover around 10 percent (Wessels 2000: 147). Furthermore, female labor market participation had increased from 35 percent in 1950 to 50 percent in 1973 (Huber and Stephens 2001: 136). With the support of party
leader Kohl, the party’s general executive, Heiner Geissler, proposed a set of policy measures couched behind a discourse of parental responsibility and women’s freedom of choice (Geissler 1976, 1979; Gerlach 2001c: 264).

The Catholic Kohl was not very interested in socio-economic issues, even less so in family policy, let alone in changing the party’s rather traditional stance in this regard (Zohlnhöfer 2001: Ch. 3.1). As such, Kohl tended to give the family and women’s ministers free space as long as they did not attempt to weaken his position.

By the mid-1970s, the relation between Kohl and his party executive was still rather well. Geissler was a Catholic who belonged to the social wing of the CDU. Once he became Minister of Family Affairs in 1982, his position as minister and party executive enabled him to further develop his proposals and push through several demands. The FDP and more employer-oriented CDU politicians, for instance, were not all that enthusiastic about Geissler’s proposals, and did not favor the expansion of family benefits for lower income groups in 1983 as a compensation for welfare cuts. This expansionary measure had also been strongly favoured by the CDA. As we have seen, the CDA still had an influential position within the CDU by then (Gerlach 2001c; Zohlnhöfer 2001: ch. 4).

However, due to Geissler’s time consuming double position and dire economic straits, most of his proposals were to be implemented from 1985 on by the next CDU Minister. One notable example is the replacement of paid maternity leave for working mothers by paid maternity leave for all mothers in 1985 (Gerlach 2001c: 265). The benefit was low and flat-rate. After six months, it became income tested. It could be combined with part-time work of maximum nineteen hours per week. This benefit structure was clearly most favourable for one-breadwinner families, and secondarily for families with a second low supplementary income. Moreover, it was clearly biased against the main breadwinner taking any leave. In fact, almost 99 percent of the recipients were women (Huber and Stephens 2001: 268).

A second example of a reform that had been initiated by Geissler was the introduction of pension credits for all mothers in 1986 (Gerlach 2001c: 265). According to Geissler, both reforms provided freedom of choice for women and equal rights for the traditional wage-earner family (Bleses and Rose 1998: 255-7). Instead, SPD politicians opposed the reforms because both would lead women to stay at home (Gerlach 2004: 169). In fact, the combination of the two reforms was double-edged: people who combined the parental leave allowance with part-time work lost the
pension credits. The duration of the means-tested parental leave benefit was gradually extended to two years between 1986 and 1990. Since the flat-rate benefits were not adjusted, however, they eroded in value (Huber and Stephens 2001: 268). Moreover, job protection was not guaranteed due to strong opposition from the FDP and employer-oriented CDU politicians (Zohlnhöfer 2001: 119, 273; Aust 2003: 37).

By contrast, all family ministers, all CDU representatives, continued to expand family transfers independent of the parents’ employment situation from 1982 to 1998. An important part of the explanation is that the Constitutional Court became an increasingly influential actor in family policy during the 1990s. In fact, several rulings officially required the government to expand family transfers (Gerlach 2000). Still, the Court leaves political parties ample room for manoeuvre and not all improvements can be traced back to these rulings (Bleses 2003: 193; Gerlach 2004: 168-86). For example, the CSU finance minister ensured extra tax advantages and child benefits against the wishes of the FDP (FAZ 08.01.1995). Furthermore, party programs indicate that the CDU and the SPD (but not the FDP) continuously proposed improvements of family transfers that often went beyond the rulings and/or preceded these in time (cf. Bothfeld 2005: 289). This is remarkable since the German economic situation worsened severely since 1991 and the government had to comply with the EMU budget criteria from the mid-1990s on.

In short, I have thus far argued that reforms implemented by CDU politicians did little to support employed mothers with small children from 1982 to 1998. However, the exception to the rule is a 1992 law that entitled every child between three and six to a place in childcare. Until that time, expansions of child care had faced great difficulties due to the fact that the supply of child care officially is an issue of the federal states – though we have already seen that some improvements were made during the 1970s by the SPD-led government. Therefore, the strong commitment of most Christian democratic politicians to the traditional family seems crucial if we want to understand the development of child care in Germany. To be more precise, most CDU and CSU politicians have historically regarded the family as the only suitable institution for raising children in their first years (Aust 2003: 36).

As such, a 1979 effort by the SPD women’s minister to entitle every child between three and six to a place in childcare was bound to fail, if only because of the Bundesrat majority of the CDU-CSU at the time. At the end of the 1980s, the Catholic CDU minister of family and women’s affairs proposed a similar right. Again, the
This time, the main reason was that the minister, a professor in gender studies, lacked the backing of most politicians within her own party. Conservative (male and female) CDU politicians warned her not to ‘glorify’ care for two year old children outside the family under the primacy of the reconciliation of work and family life (Gerlach 2001d: 423).

Moreover, the minister and some others, including party executive Geissler and the chairwoman of the women’s union, demanded that the party underwent organizational and programmatic reform, and that Kohl resigned. Please note that the CDU’s return to office in 1982 had been accompanied by a lack of programmatic renewal (Bösch 2002, 2004). Furthermore, the position of Kohl had weakened by 1989 due to subsequent electoral defeats of the CDU at the national and the federal level. Nevertheless, the sceptics unsuccessfully tried to convince Kohl and party members to renew the party’s famialistic principles during a party congress in April 1989. The aim was to promote “real” freedom of choice for working and non-working women (Gerlach 2001d: 423). Immediately afterwards, the party executive and the chairwoman of the women’s organization lost their posts while the disappointed minister retreated within a year. This particularly reduced the influence of both the employees’ association and the women’s organization.

By 1990, Kohl had suddenly become the “unity chancellor”. This helped him to regain votes as well as authority within his party. Accordingly, the CDU became a “chancellor’s party” between 1990 and 1994 as Kohl made all the large decisions himself and his authority was seldom questioned. Party committees met less and less. If they met, Kohl dominated the sessions (Poguntke 1994: 208; Bösch 2002: 53; Bösch 2004: 59). Accordingly, Kohl prevented renewal of the party’s famialistic principles personally, and it would remain off the agenda until the expel to the opposition benches in 1998 (Bösch 2002: 60).

At the same time, unification implied the political entry of people raised in East Germany. In comparison to Austria, the Netherlands and West Germany, East Germany had the lowest levels of church attendance and the highest levels of child care provision and female employment. In 1990, for instance, 55 percent of the CDU-CSU’s constituents were Catholics (Bösch 2002: 215). However, whereas 45 percent of the western Germans adhered to Catholicism, only 6 percent of the eastern Germans did so (World Value Survey). Moreover, 62 percent of all eastern German children aged three or younger went to child care facilities. In West Germany, this
figure was merely 6 percent (Hank et al 2001: 17). In addition, 82 percent of the eastern German women aged 15 to 65 were employed in 1990, while this figure was 56 percent in West Germany (sozialpolitik-aktuell.de).

From January 1991 on, a former eastern German citizen, Angela Merkel, became the women’s and youth minister. Her appointment by Kohl was triggered by party internal considerations to provide some posts to former eastern Germans (Gerlach 2004: 175). According to one CDU politician and historian, the Protestant Merkel, who was a divorced woman and not a regular churchgoer, perceived herself as a young woman who, as a minister, aimed to put great effort in establishing equality of opportunity for women. This view on women policy was consistently shaped by socialist equal opportunities policy in East Germany. At the same time, she felt obliged to represent the eastern interests in re-unified Germany (Langguth 2005: 170, 322).

Merkel played an important role in establishing the right to child care for each child between three and six\(^{15}\). According to Merkel herself, ‘the biggest success during my period as Minister of Women and Youth was to be able to push through the right to childcare...’ (Merkel in Langguth 2005: 346). Here, abortion legislation provided the opportunity to do so against the wishes of her own party’s Catholic majority in the Bundestag. In fact, Merkel and a group of female parliamentarians of all parties found a compromise that established the right to childcare as one element to support pregnant women in order to avoid abortion. The female parliamentarians also intended to entitle all children to child care, but most within the CDU and CSU considered this a bridge too far. As usual, the issue of payments was also a highly disputed element of the decision. Due to interventions by the CSU finance minister and associations of the local governments, implementation was postponed to 1996 and later on to 1999. But they were not able to prevent the law from being adopted (SZ 16.6.1992 and 17.12.1993; Aust 2002: 30-1; Aust et al 2003: 44-5).

\(^{15}\)The right for employed parents to care for sick children for 10 days per year can also be traced back to the moment when Merkel was the responsible minister (Gerlach 2004: 176).
7.2 The Red-Green Coalition: How a Change in Government Implied a Stronger Orientation towards Equal Opportunities

In line with the ideal types, the formation of a government led by the SPD in 1998, with the Greens as a junior partner, meant a policy change in the direction of equal opportunities for individual family members (cf. SPD 1998: 27-30, 2002: 16-21; Greens 1998: 42-6, 2002: 15-7). However, we shall see that it was not to be taken for granted that the two SPD women’s and family ministers could easily push through these demands within their own party.

The first period of the red-green coalition witnessed declining economic conditions. Nonetheless, the government expanded family policy along three dimensions: first, raising the child allowance and child tax advantages; second, strengthening pension credits for working parents to devote six months to child rearing; and third, improving parental leave and the parental leave benefit for employed parents (Bleses and Seeleib-Kaiser 2004: 84-5).

For reasons of space, only the first and the latter will be discussed since it is necessary here to highlight the role of the EU and the Constitutional Court, respectively. To start with the improvement of parental leave for working parents, the EU had issued a parental leave directive on June 3, 1996. The directive had to be incorporated into national law by June 3, 1998. The general aim of the directive was to promote equal opportunities for men and women. This should be done by endowing both male and female workers with and individual right to parental leave for at least three months when a child is born or adopted. Here, it is crucial to stress that the overall level of protection guaranteed by pre-existing German parental leave arrangements was well above the few minimum obligatory standards set out by the directive. Nevertheless, the arrangements did not conform fully to the directive. This was because the right to take parental leave did not apply to employees whose partners were staying at home because they were not employed. Recall that almost 99 percent of these partners were women as a consequence of the male breadwinner

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16 Historically, several wings regarding family policy can be identified within the Greens, but the equal opportunities perspective had clearly become dominant by the early 1990s (Brüssow 1996; Bothfeld 2005: ch. 8).

17 Within the Greens, several wings as regards family policy can historically be identified as well, though the equal opportunities perspective had clearly become dominant by the early 1990s (Brüssow 1996; Bothfeld 2005: ch. 8).
oriented family ideal underlying the arrangements of 1985. Accordingly, the directive, with its emphasis on equal opportunities, was totally at odds with the policy preferences of most politicians within the CDU and CSU. Therefore, the Christian democratic-liberal coalition refused to implement the directive\textsuperscript{18}.

Instead, the SPD’s policy preferences went hand in hand with the directives’ general thrust and recommendations. Following the adoption of the directive in 1996, the SPD issued a parliamentary motion in which they argued that the need to comply with the directive should be used to transform the existing parental leave scheme into a more gender-neutral one. However, the motion was voted down by the government. Only after the red-green coalition came to power, was compliance with the directive accomplished by a reform of parental leave. This reform was based on the 1996 motion. Thus, it not only extended the right to parental leave to one-income couples, as required by the directive, but went far beyond the minimum requirements of the directive, reflecting some of its non-binding provisions (Falkner et al 2002: 5-14; Falkner et al 2005: 140-51). For instance, the reform enabled both parents to take parental leave simultaneously. Moreover, it introduced a right to work part-time during parental leave, at least if one was employed in a company with fifteen employees or more.

The latter also is an example of the difficulties for the minister, the SPD women’s union and women within the main trade union (DGB) to push through their demands within the SPD. With the support of the Greens, their aim was to introduce the right to work part-time in companies with five or more employees. However, key actors within the SPD, like chancellor Gerhard Schröder, the economics minister and other rather business-oriented politicians, were able to limit this right to companies with at least fifteen workers (Bothfeld 2005: 185-6, 216-7, 253-4, 292-5).

To turn to the increases in child allowances and child tax benefits, it is impossible to neglect the role of the Constitutional Court. Most notably, a November 1998 ruling provided more detailed requirements than ever before by obliging the government to provide tax advantages of at least € 4,000 per year per child by January 1\textsuperscript{st} 2000. Accordingly, the SPD minister implemented several increases in tax advantages and child allowances within the required time frame. However, the SPD

\textsuperscript{18} For the same reason, the government also did not implement the 1989 EU directive that entitled pregnant workers to several rights. Eventually, the red-green coalition transposed the directive in 2002 (Falkner et al 2005: 74-82).
refused to bluntly increase tax advantages independent of the family’s income situation. This was because the party, in line with its social democratic tradition, did not accept tax advantages which would primarily benefit higher income groups\(^\text{19}\) (Gerlach 2004: 187-8). Moreover, the demand to raise tax advantages to DM 6,000 had already been part of the SPD’s party platform since 1985 (Bothfeld 2005: 198). Finally, the SPD Minister continued to increase allowances in 2001 with the support of the CDU and the CSU in the Bundesrat (FAZ 08.05.01). This is not to deny the crucial role of the Constitutional Court, but to nuance it by also pointing at the role and involvement of political parties.

During its second term, which lasted from October 2002 to February 2005, the economy was in a recession and Germany continuously failed to comply with the EMU budget criteria. However, expansion again went in the direction of equal opportunities. Most notably, the new SPD women’s and family minister, Renate Schmidt, set aside federal subsidies amounting to € 1.5 billion annually (from 2005) for the federal states to expand all-day child care facilities for children under the age of three. The aim was to provide places for 20 percent of this age group. Well below the existing level in the new states, this nonetheless implied a large increase for West Germany. Furthermore, another € 4 billion was set aside for helping states and municipalities to convert traditional half-day to full-day schools between 2003 and 2007. Starting from a very low level of 5 percent of schools also teaching in the afternoon, the number of full-day schools rose by 64 percent between May 2003 and June 2004 (Clasen 2005: 163).

If one bears in mind the low levels of childcare provision in West Germany and the 1998 SPD party program arguing in favor of an expansion of childcare, one may perhaps ask why child care was not expanded sooner (SPD 1998: 28). Moreover, surveys indicated that such reforms would be very much welcomed by the electorate (Clasen 2005: 164). According to Renate Schmidt, however, expanding child care was rather difficult due to a combination of the Constitutional Court’s ruling on the expansion of child transfers and tight fiscal conditions.

Furthermore, it was not easy for the minister to convince key persons within her own party to support such a policy change. Especially the crucial support from chancellor Schröder was lacking (interview with Renate Schmidt). For instance, in

\(^{19}\) See, for instance, the 1975 reform of child tax advantages as described in section four.
line with the demands from business associations, Schröder blocked a proposal by the women’s and family minister to oblige companies to improve the opportunities for women to reconcile work and family life in September 2001 (FAZ 11.09.01). A few months later, however, he attended a party congress on equal opportunities and listened carefully to a speech by Renate Schmidt, by then the chairwoman of a SPD commission on family affairs (FAZ 24.11.01; interview with Renate Schmidt). After the congress, he admitted to Schmidt that he had recognized some problems too late (interview with Renate Schmidt). To quote Schröder, ‘I must admit that I needed some time to assess the societal relevance of family policy correctly… It became clear to me – especially during conversations with Renate Schmidt – that parents need more as simply only higher child allowances, they need a better child care infrastructure so that mothers, but also fathers, can reconcile work and family life. Because never before has there been a generation of so highly qualified women… For companies, which will have difficulties in finding qualified personnel within a few years, these women are also the qualified workforce of the future’ (Schröder 2006: 439-40).

Hence, it was a rather economic line of reasoning rather than the feminist perspective of the 1970s and of some of the current female SPD politicians, which convinced Schröder. Accordingly, Schröder echoed earlier statements of the women’s and family minister to expand child care in his government declaration of April 2002. Please note that a similar line of economic reasoning has also led business associations to become increasingly in favor of an expansion of childcare since the early 2000s (interviews with business representatives). Hence, also the more business-oriented politicians within the SPD, like Schröder, had a strong backing within society.

An OECD study and the EES served as “selective amplifiers” for family minister Schmidt. The OECD study linked the lack of childcare in Germany to low educational achievements among fifteen year olds (OECD 2004). It became a standard reference of the family ministry (Clasen 2005: 165; Gerlach 2006a: 15). Finally, the European Commission blamed the German government for not sticking to the EES principle. In its recommendations to the government, the Commission criticized the weak development of German childcare since it prevented a better reconciliation of work and family life (Aust et al 2003: 46).

Though Schmidt noted that the OECD and EES had indeed played a facilitating role, she posed that the main problem was resistance by the Länder,
especially those governed by the CDU and CSU (interview with Renate Schmidt). By then, the clear preference of most Christian democrats still was to increase the incentives for mothers to stay at home and care for their young children. For instance, the key family policy proposal of the 2002 CDU-CSU election program was a new form of family transfers of €600 per month, independent of labor market participation. This was to be provided during a child’s first three years (Aust 2002: 35; FAZ 19.04.02).

7.3 Family Politics since 2005: The Usual Party of Government is Back with an Unusual Agenda

We have thus far seen that family policy has been an ideologically highly polarized domain with the Christian democrats and the social democrats adhering to two rather different normative views on the role of the family. However, we can witness a remarkable process of convergence of Christian democrats towards the SPD’s family model once they had returned to office in 2005. If we want to understand how this happened, it is first necessary to return to the sudden expel to the opposition benches in 1998.

In line with my proposition on organizational change, government exclusion triggered the replacement of the CDU’s dominant coalition of famialists by equal right supporters in a context of secularization and women’s emancipation. The number of church-attending Catholics had declined from 15 percent of the German electorate in 1975 to seven percent in 1998. Accordingly, this group accounted for merely 13 percent of the votes for the CDU-CSU in 1998 and 12 percent in 2005. Furthermore, the total number of Protestants going to church had declined from 10 percent in 1975 to 2 percent by 2005. As such, not even the most loyal voters could prevent the electoral decline of the CDUCSU (Wessels 2000: 1468; Kornelius and Roth 2007: 54). Increased women’s emancipation likely increased, or at least did not contain, strains on the traditional family ideal. Between 1990 and 2000, western German female labor market participation rates increased from 56 percent to 62 percent (sozialpolitikaktuell.de). Moreover, the claim that both husband and wife should contribute to income was supported by 55 percent of the West Germans in 1990 and 65 percent in 1999 (World Value Surveys).
As the CDU was mainly centered on Kohl’s leadership, the loss of office in 1998 and his sudden retirement resulted in a power shift. This was amplified by the fact many politicians of Kohl’s generation stepped down as well and that Angela Merkel became the new party executive. Nevertheless, Kohl’s closest ally, the Protestant Wolfgang Schäuble, succeeded him (Bösch 2004: 75-77; Langguth 2001: 7, 211). For Schäuble it was clear that ‘the CDU has to use the opposition phase to raise and discuss those questions which cannot be pushed aside anymore’ (Schäuble 2000: 302).

In family policy, Schäuble and Merkel were much more oriented towards working women than most within the CDU. As such, they understood one another well, and Merkel was able to set up and chair a new commission on family affairs in response to the 1998 defeat (SZ 09.10.99; Langguth 2005: 191, 197, 317). Whereas some CDU politicians pleaded for a clearer emphasis upon familialistic values in order to regain votes, Merkel argued exactly in the opposite direction (Schäuble 2000: 45). According to Merkel, family policy had to adjust flexibly to the current situation of families. Hence, new policies were required to allow for a reconciliation of work and family life (Merkel in FAZ 18.08.99).

On December 13th, the commission’s presented her findings at a special party conference on family affairs. At the time, the media concentrated on the biggest crisis in the CDU’s history, the so-called spending affair. For years, the party had spent too much on its vast party staff and illegal charities were uncovered. As such, it went largely unnoticed by then that the commission was able to push through some key changes. Instead of focusing on a married man and woman with children, the CDU now defined a family as ‘any situation whereby parents are responsible for children and children are responsible for parents’ (CDU 1999: 8). Furthermore, the commission departed from the traditional family ideal by stating that both parents usually want to be employed by now and that this requires policies enabling them to do so (CDU 1999: 3). According to the commission, ‘the key issue for the reconciliation of work and family life is a satisfying child care system’ (CDU 1999: 13).

By January 2000, Schäuble felt that he was not able to deal with the spending crisis due to his long history within the party. Accordingly, he retreated as party chairman (Schäuble 2000: 266). A party in uncertainty as well as a lack of experienced competitors somewhat surprisingly enabled Angela Merkel to become party leader in April 2000. She only had a small group of loyalists, the so-called ‘girls
camp”. This consisted of four women and included both the chairwoman and the vice-
chairwoman of the youth union. Merkel’s candidacy was supported by the youth
union and the women’s organization, though she did not have a background in the
had become party leader, the CDU headquarters suddenly included a high number of
women compared to most of its European sister parties (Bösch 2002: 259).

Nonetheless, Merkel had great difficulty in keeping the different wings and
regions together as she lacked the authority of being chancellor and did not have a
single portfolio to divide. Moreover, it was not the party headquarters that took charge
of the CDU but the prime ministers of the different states (Bösch 2004: 73). This was
exemplified by a high number of conflicts between Merkel and the rather conservative
Roland Koch, the Prime Minister of Hessen (Trampusch 2005: 4). In addition, the
CDU seemed in opposition with itself with Merkel as party leader and Friedrich Merz
as fraction leader. Merz could build upon great sympathy within the fraction. The
latter had a more conservative composition than the CDU headquarters and
considered Merkel too progressive as regards family issues.

Both Merz and the CSU party leader made it repeatedly clear that the
majorities in their parties were in favour of providing a family allowance of at least €
1000 per month during three years, independent of the parents’ labor market situation
(FAZ 05.07.2000 and 18.01.2001). Accordingly, this became the key family policy
proposal of the CDU-CSU in their 2002 election program. On the other hand, the new
definition of the family as established by the CDU commission on family affairs
entered the election program. Moreover, for the first time in the history of the CDU-
CSU, a concrete proposal was made to expand child care in its party program. To
quote the program, ‘we will ensure that the tax system will take into account child
care costs between € 1000 and € 5000 already from 2003 on’ (CDU-CSU 2002: 37).

After the 2002 electoral defeat and subsequent government exclusion, Merkel
managed to strengthen her internal position by taking up the position of Merz.
Moreover, she had put a large effort in a rejuvenation of the Bundestag fraction. The
result was an exceptional rejuvenation of the fraction with approximately one third
being new. In the field of CDU talents, Ursula von der Leyen probably was Merkels
most important discovery. Von der Leyen has seven children and had been working as
a physician between 1987 and 2004. Afterwards, she became the minister of social
affairs, women, family and health in Lower Saxony. As will be shown below, Von der
Leyen - like Merkel - supports equal opportunities for women rather than the CDU’s traditional family ideal. When Merkel wanted to use the dire situation of the CDU to promote further programmatic renewal within the party, Von der Leyen seemed the perfect person to do so in family policy. Accordingly, Merkel appointed Ursula von der Leyen as chairwoman of the CDU commission Parents, Child and Employment in April 2005. Especially the CSU and some conservative CDU prime ministers of federal states did not really appreciate this decision (FAZ 04.05.2005). In response to her appointment, Von der Leyen replied that she would do her best to ‘achieve a change in orientations and to improve child care in order to facilitate the combination of work and family in Germany’ (FAZ 22.01.2005).

By late may 2005, however, chancellor Schröder suddenly called for early elections and the commission was unable to complete the process of programmatic renewal. With early elections looming in November 2005, the 2005 party program of the CDU-CSU was completed within six weeks. Touchy subjects, like how one should raise children, were avoided as much as possible (FAZ 14.08.2005, 22.01.06). Nevertheless, the 2005 party program of the CDU-CSU pointed at the need to change traditional family orientations and the need and the will to improve child care, but no concrete proposals were made in this regard (CDU-CSU 2005: 24-5). Furthermore, against the demands of the CDA and the women’s union, the commission was able to leave out the proposal to expand family allowances which had still stood at the forefront of the 2002 program (FAZ 14.08.2005).

On November 22nd, the CDU and CSU formed a government with the SPD. The by then Chancellor Angela Merkel appointed Ursula von der Leyen as family and women’s minister. So far, the two most notable reforms of the grand coalition were to expand childcare and to introduce a new parental leave benefit (cf. Gerlach 2007).

To start with the former, it is worth noting that the coalition agreement points at an expansion in the direction of equal opportunities, just like under the red-green governments. This applies, for instance, to the will to expand child care (CDU, CSU and SPD 2005: 112-5). This is to large extent due to the extensive support of the SPD’s emphasis upon equal opportunities by Von der Leyen, the Christian democratic negotiator in family policy (SZ 18.01.2006; Gerlach 2007: fn. 1; see also SPD 2005: 42-6). By early January 2006, Von der Leyen proposed to entitle families with two working parents (or one working lonely parent) of children younger than seven to a
tax reimbursement, up to a maximum of €4,000 per year, if their expenses for child care exceed €1,000 per year.

The proposal was part of the “law to promote economic growth and employment fiscally” and received fierce criticisms, especially from the CSU and several CDU politicians. As to the SPD, left-wingers noted that the reform would benefit higher income groups rather than lower income groups if the expenses on child care had to exceed €1,000 (SZ 18.01.2006; FAZ 25.01.2006). Nevertheless, a majority within the executive committee agreed with the proposal and the SPD would eventually support it (Gerlach 2007: 7). Most within the CSU, however, were concerned about the neglect of the traditional family and demanded that the proposal would also support families with one working parent (SZ 18.01.2006; FAZ 25.01.2006).

Von der Leyen’s response was that ‘both men and women will participate in the labor market. The only issue is whether they will raise children’ (in FAZ 22.01.2006). In addition, some high-ranking CDU politicians were not willing to accept the minister’s plans as it implied a quite sudden move away from the party’s traditional family ideal by a minister from their own party with the support of a chancellor from their own party (SZ 18.01.2006). Accordingly, three politicians with rather traditional views on the role of the family criticized Von der Leyen for the supposed glorification of the working mother during a meeting of the party’s executive committee in Mainz. The deputy prime minister of Brandenburg argued that he would not like his children to be raised by the state. Two other politicians joining the critique on Von der Leyen were the leader of the CDU Bundestag fraction, and the prime minister of North Rhein Westphalia (FAZ 22.01.2006).

In the end, Merkel gave in to the critique from the CSU and several CDU politicians. Accordingly, the original proposal was revised in such a manner that it not only entitles families where all parents work, but also those where one of the two parents is employed (FAZ 25.01.2006). This became law on January 31, 2006.

In June 2006, the existing parental leave arrangement was replaced by a new scheme. The new law entitles a working parent to 67 percent of his or her income when caring for a child in the first year after birth. The maximum payment is €1,800 per month. The reform also introduces two so-called “daddy months” with the same replacement rate to enable the other working parent to care for a child during the subsequent two months.
Inspired by Swedish policy, the former SPD family minister Renate Schmidt had already developed a similar proposal in 2004. The only difference was that it entitled one parent for ten months and would entitle the other parent for two months. At the time, the proposal was received rather skeptically within the SPD Bundestag fraction due to its beneficial effect for higher income groups. However, several studies show that especially well-educated working women with high incomes postpone the decision to have children, if they have children at all. Therefore, chancellor Schröder backed the proposal. Due to sudden early elections, however, the implementation was postponed to 2006 (interview with Renate Schmidt).

During the coalition negotiations between the SPD and the CDU, Von der Leyen backed the SPD proposal. However, the introduction of the “daddy months” was criticized by most within the CSU (not by some female politicians and the women’s union) and by some CDU politicians. Especially the CSU was not willing to accept the proclaimed cut of two months for those families where only one of the two parents takes up parental leave to raise children. Furthermore, the Christian democratic prime minister of Thüringen, posed that he was not willing to let the state determine whether he his or his wife would raise children (FAZ 21.04.06). In addition, the CDU prime minister of North Rhein Westphalia, who had also been highly critical about the child care tax advantage, argued that the Constitution would forbid the state to oblige fathers to care for children. This triggered the SPD party executive to claim that the prime minister was a “dinosaur” who had been sleeping during his own party’s learning process on family policy. In her turn, Minister Von der Leyen replied to the opposition by conservative fellow partisans by stating that she wanted to enable young men and women to reconcile their work and family lives under the current socio-economic conditions. ‘Though some may remember the fifties nostalgically, they will never come back’ (FAZ 02.12.2005). A few months later, chancellor Merkel herself attempted to convince the skeptics and to bring them on board (FAZ 20.04.2006).

Afterwards, the CSU and the CDU skeptics gave up their resistance against the “daddy months”. However, they could claim a partial victory by avoiding the two month cut for those families where only one of the parents takes up parental leave. Therefore, the new parental leave benefit would be paid for twelve months to one parent, instead of the ten months as originally proposed by Schmidt and Von der
Leyen. The two months for the other parent would now become a bonus (FAZ 26.04.2006). This became law on June 23, 2006.

7.4 Conclusion

This chapter has attempted to explain a quite remarkable process of convergence of Christian democrats towards the SPD’s family model once they had returned to office in 2005. Until that time, power resource theory did a good job in explaining the development of German policy. Afterwards, we have seen that, against a background of secularization and women’s emancipation, government exclusion from 1998 to 2005 triggered a profound change of Christian democratic politicians. Once the CDU returned to office, dominant groups within this party were much more oriented towards working mothers than their predecessors and opted for expanding family policies for employed mothers.

It clearly became easier for chancellor Merkel to change family policy in the direction of equal opportunities with the likeminded Von der Leyen as family and women’s minister. To quote a CDU insider, ‘programmatic renewal is for the greatest part bound to persons. Without Angela Merkel and Ursula Von der Leyen, we would never have had such a strong reorientation within our party’ (interview). As such, German Christian democracy remains relevant in family policy, but means a rather different thing over time.

Nevertheless, internal opposition by Christian democratic politicians with familialistic orientations remains. A notable example concerns a recent debate on costless child care for children under the age of three. In January 2006, Von der Leyen announced that she would like to put great effort in making this possible (FAZ 22.03.2006). A few months later, both the leader of the SPD Bundestag fraction and chancellor Merkel publically supported her proposal (SZ 20.03.2006). Again, the proposal met fierce criticisms from within Christian democratic ranks. For instance, some CDU politicians blamed Von der Leyen for moving the CDU-CSU away from the traditional family ideal and the party’s constituents (FAZ 14.02.2007; http://www.n-tv.de/766641.html). According to a recent survey, however, 65 percent of the electorate supports an expansion of child care (FAZ 22.04.2007).

At a childcare summit in April 2007, the government then committed itself to reaching the EU’s 2003 Barcelona targets by providing 750,000 additional childcare
places by 2013, and annually earmarked €4 billion euro to reach this goal. This is expected to cover about one-third of the costs. In September 2007, the government decided that – in the long run – parents should have a “statutory right” to a childcare place. Yet, mainly the more conservative CSU insisted not to “discriminate” against women who opt for minding their children at home. Accordingly, in a political compromise, the cabinet also introduced additional transfers by 2013 as an alternative to a child care place. These transfers might, however, stimulate low-income families to opt for receiving cash payments rather than participating in the labor market (Weishaupt 2008: 285-6).
8 How Dutch Welfare Parties Enabled Pension Reforms

Chapter five found that, in comparison to Austria and Germany, traditional partisan theories are of little help in explaining Dutch pension reforms since the early 1980s. By then, Christian democrats opted for severe pension cuts in a coalition with the liberals. This chapter explores whether my propositions on organizational change can shed light on these puzzling findings.

To do so, the first section starts out with the marginalization of traditionalists within the CDA (Christian democrats). Section two turns to pension reforms under the grand coalition from 1989 to 1994, and pays specific attention to dynamics within the PvdA (social democrats). Section three analyzes pension reforms under the “purple coalition” between the PvdA, VVD (liberals) and D66 (social-liberals). Section four studies pension reforms of various CDA-led center-right governments from 2002 to 2006. Section five concludes.

8.1 Pension Politics since the Early 1980s: The Marginalization of Traditionalists within Christian Democracy

The priority accorded to government domination by the CDA has a historical origin. In the period between 1945 and 1977, the Catholic People’s Party was a permanent feature of whatever coalition was in office. Furthermore, the Orthodox reformed Anti Revolutionary Party participated in government for 26 out of these 32 years and the Dutch reformed Christian Historical Union for 22 years. While the three confessional parties vehemently resisted secularization, insisting upon the primacy of the Bible as the guide for governance, secularization let the pillars of Dutch society crumble since the 1960s (Van Praag and Brants 1980: 6-11; Duncan 2007: 72). Between 1956 and 1980, the share of practicing confessional voters declined from 52 percent to 33 percent (Van Wijnen 1998: 56). The most immediate effect of secularization on Dutch party competition was a large decrease in the vote-share of the three major denominational parties. The 1967 election was the first election where these parties did not gain at last half of the seats in parliament. The centrality of government domination was evident in their reaction to the electoral decline. Indeed, the massive

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20 ‘Parliament’ refers to the Second Chamber.
erosion of support for the Catholic People’s Party in particular threatened the continued domination of the confessional parties in government and pushed them towards a merger. In the 1977 election, the three parties joined a common list. By 1980, the merger into the CDA was complete (Ten Napel 1992).

Throughout the merging process, most leftist confessional politicians with close linkages to the Catholic and Protestant unions quit their parties. Many joined the PPR (Political Party Radicals). The latter was founded in 1968 by left-wing politicians from the KVP and ARP in particular. These were disillusioned with a liberal stream within their respective parties which started to worry about the pace in which the welfare state grew and had, accordingly, opted for the VVD as a coalition partner in 1967. Other left-wing ARP and KVP politicians quit the CDA in 1980 and established the EVP (Evangelical People’s Party) (Jacobs 1989b: 256-82; De Vries 2005: 174-82). Accordingly, the merger of the confessional parties resulted in the marginalization of traditionalists who had effectively pushed for welfare expansion in the 1960s (Van Zanden 1998: 71).

The far-reaching secularization of Dutch society and the crumbling of the pillars has resulted in weakening bonds between parties and the social partners. In the process of depillarization, Dutch socialist and Catholic unions increasingly cooperated with one another and eventually merged into the FNV (Federatie Nederlandse Vakverbonden) in 1976. This required the unions to weaken their respective party linkages (Kitschelt 1994: 240-2; Kok 2005: 16). Moreover, the CDA has no formal links with the Protestant trade union confederation (CNV) and the Christian employer association (NCW). Nonetheless, there were regular informal meetings between the CDA, the CNV and the NCW until the early 1990s (interview with CDA politician; Lucardie 2004: 175-176). Neither does the PvdA have formal links to the FNV (Andeweg 2000: 103). Accordingly, table 8.1 portrays little overlap between parliamentarians and trade union representatives from 1977 on, especially if we compare it with the situation in Austria (see table 10.1).

Against the background of depillarization and weakening bonds with the unions, the PvdA’s membership had fallen from 143,000 in 1959 to 98,700 in 1971 (Kitschelt 1994: 240). A decrease in the share of the labor force employed in industry from 41 percent in 1960 to 39 percent in 1970 likely increased, or at least did not contain strains on membership rates (Lane and Ersson 1999: 26). The decline in membership and decreasing linkages to socialist labor unions made the PvdA
receptive to ideas and demands of New Left, a party movement striving for greater income distribution, political participation and individual wellbeing. New Left adherents eventually entered a new dominant coalition together with hard-line socialists and feminists. This coalition was able to reshape the party organization by expanding the power of the rank and file at the expense of the leadership. Furthermore, they pushed the party towards a ‘polarization strategy’. The hope was that it no longer had to govern at the mercy of the confessional parties, but could lead in office (Kitschelt 1994: 240-1).

Table 8.1 Share of trade union functionaries in the Tweede Kamer, 1972-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Absolute</th>
<th>Percent</th>
<th>Absolute</th>
<th>Percent</th>
<th>Absolute</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>7</td>
<td>16.3</td>
<td>9*</td>
<td>18.8</td>
<td>21</td>
<td>14.0</td>
</tr>
<tr>
<td>1977</td>
<td>8</td>
<td>15.1</td>
<td>5</td>
<td>10.2</td>
<td>13</td>
<td>8.7</td>
</tr>
<tr>
<td>1982</td>
<td>7</td>
<td>14.9</td>
<td>3</td>
<td>6.7</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>1986</td>
<td>6</td>
<td>11.5</td>
<td>3</td>
<td>5.6</td>
<td>9</td>
<td>6.0</td>
</tr>
<tr>
<td>1989</td>
<td>5</td>
<td>10.2</td>
<td>3</td>
<td>5.6</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>1994</td>
<td>6</td>
<td>16.2</td>
<td>1</td>
<td>2.9</td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
<td>1998</td>
<td>6</td>
<td>13.3</td>
<td>2</td>
<td>6.9</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>2003</td>
<td>4</td>
<td>9.1</td>
<td>6</td>
<td>13.6</td>
<td>11</td>
<td>7.3</td>
</tr>
<tr>
<td>2007</td>
<td>1</td>
<td>2.4</td>
<td>2</td>
<td>6.1</td>
<td>5</td>
<td>3.3</td>
</tr>
</tbody>
</table>

* KVP 7 trade unionists, ARP 2 and CHU 0.

Source: Website Parlement en Politiek.

Yet, the influence of New Left on social policy was rather limited. Its views on the welfare state were rather similar to the ones expounded by Joop den Uyl, PvdA leader since 1967 (Van Praag 1994: 135). The increased influence of the left led to a schism on the party’s right with a number of members resigning and establishing a new party, Democratic Socialists ’70 (Jacobs 1989b: 261). The party soon faded into insignificance. The PvdA’s polarization strategy, on the other hand, seemed highly successful. The party gained votes in the early 1970s. It formed a coalition with D66, PPR, KVP and ARP in 1973, the most leftist Dutch cabinet of the postwar period.

Ironically, exactly this government was confronted with the outset of the age of austerity. The two oil crises hit the Netherlands particularly hard. Wage restraint
policy had already begun to erode in the 1960s, but centralized bargaining broke down completely in the 1970s. Accordingly, wages started to exceed productivity increases. The difficulties faced by other Western European countries in the wake of the 1973 oil shock were exacerbated by the “Dutch disease”, the appreciation of the exchange rate because of gas exports. This hurt Dutch exports and, accordingly, economic growth. Consequently, budget problems intensified and unemployment rose. Already by 1975 unemployment reached 4 percent up from a pre-1973 level of between 1 percent and 2 percent. Economic growth also slowed considerably (Huber and Stephens 2001: 279).

The PvdA-led coalition kept expanding welfare benefits, although Wim Duisenberg (PvdA, finance minister) and Ruud Lubbers (KVP, economics minister) tried to step on the brakes. However, prime minister Den Uyl and Jaap Boersma (ARP, social minister and Protestant trade unionist) assumed that economic pressures would be of a temporary nature and opted for left-Keynesian expansionary policies (Gortzak 1978; Toirkens 1988: 32-52). Trade unions fully backed the Den Uyl governments’ policy priority for full employment. Employers, by contrast, opposed the coalition’s expansionary policies (Hemerijck 1993: 296).

In 1974, social minister Boersma introduced automatic inflation adjustments to the minimum wage. At the same time, social security benefits were pegged at 70 percent of the minimum wage. Furthermore, Boersma played a key role in universalizing disability entitlements in 1976 (Cox 1993: 163-7). The lucrative disability scheme became the main route to early retirement as the oil crises forced employers to consider massive layoffs. Trade unions in their turn considered generous early exit a socially acceptable way to do so (Visser and Hemerijck 1997: 138-9). In addition, Boersma took up an initiative by a Catholic trade unionist to experiment with a pre-retirement pension scheme (Wiekenkamp 2008: 11). This would become the second most popular early exit route. Unemployment insurance is a distant third. As such, the three main exit routes operate as communicating vessels since changes in regulations of one scheme have an effect on the exit rate of the others (Delsen 2000: 164)

The PvdA was seemingly rewarded for welfare expansion in the 1977 election with a historical peak of 33.8 percent of the votes. However, this proved a Pyrrhic victory. After a troublesome formation of eight months, the re-installation of the center-left government was off the table due to disagreements on abortion and, in
particular, corporatist political exchange for wage restraint (Hemerijck 1993: 297). The succeeding CDA-VVD (liberals) coalition that took over opted for welfare austerity, but was hardly more successful than its predecessor (Green-Pedersen 2002: 95). This is surprising since the VVD had claimed the previous government’s socio-economic policy record to be mainly about squandering. As such, it was necessary to get rid of the financial debris (De Rooy 2005: 180). Furthermore, one would have expected more austerity under a government led by the CDA, since the merger of the major confessional parties had led to a strengthening of the right wing.

Still the answer lies very much within the CDA. From the onset, the intraparty strife centered around social minister Wim Albeda, a CNV representative, and the Catholic finance minister Frans Andriessen, a former entrepreneur. Whereas especially VVD ministers supported Andriessen’s retrenchment plans, Albeda favored left-Keynesian expansionary policies. Dissatisfied with policy deadlock, Andriessen resigned in February 1979 (Toirkens 1988: 53-67; Hemerijck 1993: 303-14).

In the 1981 election, the CDA and VVD lost their majority, and the CDA could not but govern with the PvdA and D66. This government continued the failing retrenchment endeavors (Green-Pedersen 2002: 95). PvdA leader Den Uyl became social minister and renamed his portfolio the social and labor ministry so as to stress his commitment to tackle the worst unemployment crisis since the Great Depression, as unemployment had risen from 7.2 percent to 10.4 percent in just a year. Den Uyl immediately announced his plans for an ambitious employment program. This required 5 billion guilders from a public budget in dire straits. In response to criticisms from CDA ministers, Den Uyl agreed to retrench sickness benefits including, amongst other things, the introduction of 5 waiting days. However, vehement opposition from the unions let Den Uyl give up his endeavor (Hemerijck 1993: 322-3). After a dramatic defeat at the provincial elections, the PvdA chairman, an outspoken representative of the left, forced his party to leave the government with an image of being unable to cope with austerity (Van Praag 1994: 139; Green-Pedersen 2002: 95).

The 1982 election enabled the pragmatic CDA party leader Ruud Lubbers to join forces with the VVD. We have seen earlier that Lubbers, a former Catholic entrepreneur, had already been convinced about the necessity to retrench welfare during his term as economics minister in the mid-1970s. According to Wim Duisenberg, PvdA finance minister at the time, Lubbers could best be described as a
supply-side economist (Duisenberg 1991: 141). Within the CDA, Lubbers was known as “the boss” ( Elsevier 2005: 6). A CDA politician, for instance, complained that ‘a few people, including Lubbers, controlled the party… Everyone circled around him… This made internal democracy grow scantier’ (in Versteegh 1999: 194).

In the Netherlands, the allocation of ministerial portfolios is the primacy of the party leader (Andeweg and Bakema 1994: 59). Lubbers appointed the social and labor ministry to Jan de Koning, a long-term confidant and former secretary of the Christian farmers association. De Koning was the first confessional social minister in the post-war period who did not maintain close ties to the unions, and responded to austerity in a completely different vein from his predecessors. Like in the case of Lubbers, his pragmatic orientation had already become clear in the 1970s. As a minister of development aid between 1977 and 1981, for instance, he was among the few ministers supporting the retrenchment plans of finance minister Andriessen (Hemerijck 1993: 325). As to the CDA finance minister, we shall see that Onno Ruding, a Catholic employers representative and the IMF’s former executive director, was among the staunchest supporters of welfare retrenchment. This policy and claims like ‘unemployed rather stay close to aunt Truus than move’ made him unpopular amongst voters on the left side of the political spectrum (Parlement en Politiek).

No Nonsense Pragmatism: Pension Reforms Under the CDA-VVD Governments

Under the slogan “no nonsense”, the CDA-VVD government committed itself to a drastic improvement of public finances and cuts in welfare policy. As the social partners were deliberately excluded from formulating the coalition agreement, the stage was set for a tough confrontation between the government and the trade unions. Nonetheless, the cabinet’s entry into office was crowned by the bipartite “Wassenaar accord” on wage restraint only weeks after the presentation of the austere coalition agreement (Hemerijck 1993: 328). According to Wim Kok, FNV chairman at the time, he had already reached a concept agreement on wage restraint with the employers in 1979, but he failed to gain sufficient support from within his federation (Kok 2005: 21). Indeed, the agreement was not all that voluntary. Social minister De Koning left no doubt that the would intervene and impose a combined wage and price freeze from January 1, 1983 on if the social partners would not reach an agreement on wage moderation (Van Wijnbergen 2002: 65-74).
Assured from wage restraint in the private sector, the CDA-VVD coalition temporary retreated from a law linking the minimum wage and, indirectly, social benefits to average changes in the private sector (Visser and Hemerijck 1997: 134). Though de-indexation had began as an ad hoc measure to control costs and to prevent rapidly rising wages from causing substantial social insurance benefit rises, finance minister Ruding turned it into a permanent feature of annual budget negotiations (Toirkens 1988: 106-41). It was legislated upon from 1983 to 1988 (see table 8.2). Accordingly, the value of the minimum wage as a percentage of the average wage declined from 80 percent in 1983 to 72 percent in 1989 (Visser and Hemerijck 1997: 135).

In the spring of 1983, the government launched its ideas for a system change of social security. Already in 1982, the CDA under-minister of social affairs had written a report, in which he embraced a fundamental reform (Visser and Hemerijck 1997: 135). The majority of these changes were simply cuts. The most notable ones were the reduction of disability and unemployment benefits from 80 percent to 70 percent and the linkage of disability benefits to the extent of disability (Green-Pedersen 2002: 97). The latter was particularly unfavourable for older workers who were often entitled to full benefits under the previous rules, even if they were only partially disabled. Hence they had to combine their benefits with more time-limited and conditional unemployment benefits (Van Gerven 2008: 174).

If we note that the CDA-VVD coalition only had a six seats majority in parliament, we may still wonder how the CDA as a traditional pro-welfare party could push through these cuts internally. For one, government members tried to legitimize their policies by referring to the dire economic straits the Netherlands was facing and retrenchment failures of their predecessors (Green-Pedersen 2002: 97). Yet, this was not enough. Under the misleading name “loyalists”, seven Christian democrats (six former ARP politicians and one Catholic parliamentarian) only supported the government half-heartedly and were actually in favor of co-operation with the social democrats. Apart from the deployment of cruise missiles, these parliamentarians were highly critical of welfare cuts. By late 1983, high-ranking CDA politicians even forced two of them to resign because of their disloyalty. After the 1986 elections, not a single “loyalist” returned to parliament. Accordingly, the CDA had overcome most of its internal difficulties and became a more cohesive party (Lucardie and Ten Napel 1994: 53; Andeweg 2000: 101-2).
Table 8.2 Main pension reforms under the CDA-VVD governments, 1982-1989

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in CDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>Indexation of social security benefits limited to 1 percent in 1983</td>
<td>Weak</td>
</tr>
<tr>
<td>1983</td>
<td>Cut disability and unemployment benefits by 2.4 percent</td>
<td>Weak</td>
</tr>
</tbody>
</table>
| 1984 | - Reduce disability and unemployment benefits from 80 percent to 70 percent  
- Cut disability benefits by 2.4 percent  
- Extend the duration of unemployment benefits for claimants aged 50 or older | Weak |
| 1985 | - Individualize AOW benefit for spouses  
- Introduce supplement for AOW retirees with spouse below age 65 | Weak |
| 1986 | - Abolish unemployment relief  
- Stricter concept of unemployed  
- Workers over 57.5 qualify for a follow-up unemployment benefit of 3.5 years  
- Introduce a means-tested social assistance benefit for older workers  
- Link the level of disability benefits to the extent of disability | Weak |
| 1987 | Improve portability and protection of accumulated pension rights in occupational pensions | Weak |

Sources: Green-Pedersen 2002; Anderson 2007; Van Gerven 2008.

Furthermore, one of the “loyalists”, who had for instance voted against the 2.4 percent cut of disability and unemployment benefits in 1983, claimed that Lubbers had always taken into account the critiques of the small left-wing and was willing to compromise somewhat (Faber 1991: 612). The most concrete evidence of this were the special benefits given to the “real minimas”, that is families living from merely one income at the social minimum level. One example is the introduction of a means-tested social assistance benefit for older workers. Expenditure on these benefits was small, but it had great symbolic as the “real minimas” attracted much public attention (Green-Pedersen 2002: 98). Though VVD ministers and finance minister Ruding pushed for
more extensive cuts, the adopted plans were more limited as Lubbers and social minister De Koning stressed that reforms should not hurt the “real minimas” (Toirkens 1988: 115-49).

The May 1986 elections turned out to be the final round in the Dutch battle about socio-economic policy. The Christian democrats broke with long-standing tradition by announcing before the elections that the government would continue if the results made it possible. The CDA further clarified this by campaigning with the slogan ‘Let Lubbers finish the job’, and jointly with the VVD stressed the positive economic effects of their policies (Green-Pedersen 2002: 100). Unemployment had declined from 9.7 percent in 1983 to 8.3 percent in 1986. While the economy shrank by 1.2 percent in 1982, it yearly grew with around 3 percent since 1984 (OECD 2008). Lubbers argued that ‘the changes in social security had been painful but necessary changes’ and promised peace on the social security front (in Green-Pedersen 2002: 100).

Instead of taking a clear position in the battle about socio-economic policy, the PvdA was mainly fighting itself as it was caught between office- and vote-seeking (cf. Hillebrand and Irwin 1999; Green-Pedersen 2002). On the one hand, party leader Den Uyl and most of his partisans attacked the government’s austerity measures, arguing that they delayed economic recovery and reduced the purchasing power of lower income groups (Jacobs 1989b: 263). This position restored unity for a while, but it was superficial. Underneath the surface, tensions grew. Several politicians did not want to keep challenges on the welfare state out of discussion and to be accused of being irresponsible. In the end, the PvdA was less victorious than expected. It only gained five seats. As such, it was unable to prevent a CDA strengthened by nine seats to form a government with a VVD weakened by nine seats (Van Praag 1994: 139).

The second Lubbers government implemented the final elements of the system change of social security, most notably the linkage of disability benefits to the extent of disability and the abolishment of unemployment relief. The latter disadvantaged elderly unemployed in particular, since it had provided them with an income replacement of 75 percent of previous earnings from age 60 to 65. Now they only qualified for an unemployment benefit at 70 percent of the minimum wage for 3.5 years (Van Gerven 2008: 152-3). As the economy further recovered, CDA politicians began to challenge finance minister Ruding’s dogged adherence to further retrenchment (Cox 1993: 182). In addition, Lubbers’ promise of peace on the social
security front was put in practice by excluding Ruding but not De Koning from drafting the government agreement (Elsevier 2005: 17). As a consequence, cuts were of the table from 1987 on.

By contrast, the final element of the government’s pragmatic reform agenda concerns the expansion of occupational pensions. Unlike the measures above, the reform followed the corporatist decision-making process typical in supplementary pensions. We have seen in chapter five that social democrats and confessional groups settled for a compromise of flat-rate indexed minimum benefits and occupational pensions. This combined public-private approach to pension provision is considered to be quite resistant to the demographic and financial challenges that affect public pensions elsewhere in continental Europe. This is because the old age risk is shared between the state and the social partners (Haverland 2001; Van Riel et al. 2003; Anderson 2007). In 1987, trade unions urged the introduction of a law guaranteeing portability and protection of pension rights for wage earners who changed jobs. The eventual legislation was largely in line with the opinion of corporatist advisory bodies (Anderson 2007: 733-4).

Overall, however, the role of the unions was limited as the government consistently bypassed the social partners in corporatist bodies (Hemerijck 1993: 327-8). In comparison to the unions, employers had substantial influence through politicians (interview with CDA politician). Finance minister Ruding, economics minister Van Aardenne (VVD) and his successor De Korte (VVD, spokesman on social and economic policy from 1982 to 1986), were all strong supporters of austerity policies and had close ties with employer federations (Hemerijck 1993: 326; Versteegh 1999: 81). Nonetheless, this section has shown that such policies could not have been implemented if pragmatists would not have become dominant within Dutch Christian democracy.

8.2 Pension Politics since the Mid-1980s: The Marginalization of Traditionalists within Social Democracy

The VVD became increasingly irritated by attempts of the CDA to dominate policy formulation. Lubbers dominated the government in a way few Dutch prime ministers have been able to do, partly because his party was considerably larger than the VVD. The latter began to suffer from a sort of inferiority complex, and irritations grew to
such proportions that liberal parliamentarians brought down the coalition. This opened the door for the PvdA (Hillebrand and Irwin 1999: 123-4). In September 1989, elections were held in which the CDA came out as the largest party with 54 seats, followed by the PvdA with 49 seats.

With unanimous support, a degree of consensus seldom found in the PvdA, the party welcomed its return to office (Kok 1995: 76). By then, the polarization strategy had reached a dead end, since it had kept the party out of power for over ten years. Many former New Left adherents who had obtained parliamentary positions retreated into regional and municipal executive appointments to overcome the frustrations of opposition. After leading the party for twenty years, Joop Den Uyl had retired to the back benches following the 1986 “victorious defeat”. In order to enhance the possibilities for participating in future governments, the more pragmatic Wim Kok, former chairman of the FNV and the European Trade Union Confederation, was brought to the helm of the party. Kok wasted no time reversing the polarization strategy and began steering the party towards a coalition with the CDA (Kitschelt 1994: 240-2; Van Praag 1994: 140-3).

According to a PvdA politician, the ‘1986 electoral result and subsequent exclusion from office led to a reflex within the PvdA. This is the moment when partisans study and reports get written’ (interview). In November 1987, the PvdA published a comprehensive study entitled ‘Sliding Panels’. Amongst other things, it offered a substantive analysis of the challenges on the welfare state, highlighting austerity and post-industrial social risks (PvdA 1987). While sparking off many internal discussions, it failed to offer clear conclusions as it was ‘closely connected to Den Uyl’s latter days. He just had no answer and also had a speech by then in which he denounced the government’s austerity policies’ (interview with PvdA-insider). In this respect, the fall of the CDA-VVD coalition and the subsequent elections came too soon for the PvdA (Van Praag 1994: 140).

The PvdA could not compensate a small loss to D66 and Green Left, a new alliance of four small leftist parties, with gains among the political centre (ibid: 141). Neither did its core constituency grow as the share of the labor force employed in industry declined from 39 percent in 1970 to 31 percent in 1990 (Lane and Ersson 1999: 26). Partly related to this, trade union density shrunk from 37 percent in 1970 to 24 percent in 1990 (Visser 2006). As a consequence, the CDA could do justice to its campaign slogan ‘Continue with Lubbers’. Two days before the Berlin wall collapsed,
Lubbers again became prime minister. As he expressed in the government declaration, the aim would indeed be to continue the socio-economic policy of the two preceding Lubbers governments (Green-Pedersen 2002: 102).

According to Wim Kok, he became finance minister because ‘it was absolutely clear that all lines came together at this department… I thought that I should try to contribute to making the government finances sound, though I did not have a financial background. I was highly convinced that something fundamental needed to be done there’ (Kok 2005: 44). ‘I felt nothing for the traditional leftist story to solve the problem by increasing taxes’ (ibid: 51). This pragmatic orientation had already become clear in the late 1970s. We have seen that Kok opted for wage restraint to promote employment growth, to the regret of many fellow unionists. In socio-economic policy, Kok’s and Lubbers’ policy preferences did not differ much. As such, they understood one another well (Elsevier 2005: 17; Te Velde 2005: 118).

Nevertheless, it has been argued that social minister Bert de Vries has been the glue of the coalition. De Vries was the CDA’s former parliamentary leader. In 1975, he finished his dissertation on wage and income policy in which he argued that retrenchments always had to be combined with protection of the needy (De Vries 1975). He stuck to this position which led to several disagreements with finance minister Ruding (CDA). As such, he was in favor of forming a coalition with the PvdA rather than the VVD, and was even labeled the ‘eight PvdA minister’ by some CDA politicians (NRC 01.08.1992; Metze 1995: 67-99). De Vries himself argued that ‘it was mainly because of the fact that the CDA’s parliamentary fraction was moving in a rightist direction that I was being associated with party’s left-wing in that coalition’ (interview).

By now, the moment is close that the Netherlands came to attract wide attention because of its recovery – some have called it miraculous – from severe welfare austerity. From the mid-1980s to the mid-1990s, the Netherlands had a job creation rate that was over four times the EU average. Unemployment declined down to a low of 5.3 percent in 1992 and 5.8 percent in 1997. Nonetheless, social expenditure continued to weigh heavy on public finances (Huber and Stephens 2001: 279-81). Accordingly, the budget deficit hovered around 4 percent between 1990 and 1993 (OECD 2008). Increasingly, and correctly so, the Achilles heel of the Dutch welfare state came to be defined as one of excessive inactivity. Notably, the number of disability claimants grew from 762,000 in 1985 to 904,000 in 1991 in an active
population of about seven million (Van Gerven 2008: 175). In September 1990, Lubbers declared the Netherlands to be ‘sick’ and threatened to resign if the number of beneficiaries reached one million (Green-Pedersen 2002: 103).

The CDA-PvdA government, therefore, started to work on major changes in the sickness and disability programs. Employers and unions had controlled the schemes through bipartite social insurance boards and both had a strong interest in shedding off older and less productive workers in a socially acceptable way. Government attempts to reach a compromise on reforms failed in the summer of 1991 (ibid). The Social Economic Council, the main corporatist advisory body, produced a divided advice on how to reform the disability scheme since FNV affiliates refused to mandate the federation to negotiate a compromise. As a consequence, the government could go its own way and ignore the Council’s advice not to cut sickness and disability schemes (Visser and Hemerijck 1997: 141).

The government’s retrenchment plans plunged the PvdA into crisis. The party was now paying for the fact that it had raised expectations to reverse some socio-economic legislation, but had failed to come up with any coherent suggestions about the way in which the welfare state should be reformed (Van Praag 1994: 143). In Kok’s words, ‘mentally, the transition to government participation turned out to be large and during the disability crisis nearly too large’ (1995: 76). The party threatened to become disrupted into a traditionalist and a pragmatic wing (Van Kersbergen 1999: 163). The unions organized the largest postwar demonstration. Both relationships with the FNV and support in opinion polls dropped to an all-time low (Visser and Hemerijck 1997: 141-2). Van der Louw, former PvdA chairman and outspoken representative of the left, even threatened to leave the party and to found a new social democratic party. Moreover, one-third of its members, especially trade unionists, and two left-wing parliamentarians left the party. In response to all criticism, the PvdA’s chairwoman resigned and Kok also contemplated resignation. Only by calling a special party conference and placing his position on the line, did Kok rescue his position and his party’s support for the cuts (Lucardie et al. 1992: 47; Van Praag 1994: 144-145).

To make matters worse for the PvdA, Elco Brinkman, CDA leader in parliament, closed a deal with the VVD in order to push through more severe cuts. Brinkman, a high-ranking civil servant before he became minister of wellbeing, health and culture in 1982 at the age of only 34, had been one of the staunchest supporters of
welfare retrenchments in the two CDA-VVD governments. As such, he had been highly critical of co-operating with the PvdA in government, and turned to economists and employers for advice on socio-economic policy. The PvdA’s parliamentary group was by now willing to support the cuts, but only if beneficiaries already having been awarded a disability pension would not be affected by the new laws. The CDA’s parliamentary fraction opposed this demand, but social minister De Vries was willing to go along and more or less forced the CDA fraction to accept it (Metze 1995). The government’s reform effort with regards to the sickness and disability programs passed in parliament in two steps, in 1992 and 1993 (Visser and Hemerijck 1997: 142-3). Although the reforms mainly affected workers under age 50, table 8.3 shows that the rights of older workers certainly have not been untouched.

In the meantime, according to social minister De Vries, ‘the threat of an increasing budget deficit consistently led to a discussion about which measures had to be implemented in order to keep the deficit limited. Freezing benefits always was a measure that saved a lot of money in the short term. So the CDA’s parliamentary fraction and the economics minister, Frans Andriessen (CDA: author’s information), exerted strong pressure to freeze benefits. This was hard to swallow for the PvdA’ (interview). Indeed, the PvdA’s 1989 manifesto advocated full indexing of the minimum wage and benefits to contract wages, except when the volume of beneficiaries or wages developed excessively (PvdA 1989: 13)\(^{21}\). Accordingly, the government made indexation conditional on moderate wage increases and increased labor market participation in November 1991 (Green-Pedersen 2002: 69). This law specifies that if there are more than 82.8 inactive for every 100 active persons, indexation will be suspended. With reference to this ratio, social security benefits were frozen in 1993, 1994 and 1995 (Visser and Hemerijck 1997: 141).

Unlike the other measures portrayed in table 8.3, a 1994 reform of occupational pensions followed a corporatist decision-making process. Yet, it was corporatist bargaining ‘in the shadow of hierarchy’ (cf. Van Riel et al 2003). The government took the initiative in 1987 by asking the Social Economic Council (SER) to inquire gaps in coverage and portability. The cabinet mainly agreed with the SER’s 1990 advice to introduce a legal right to transfer occupational pension rights. Furthermore, the government demanded improved coverage for part-time workers.

\(^{21}\) The CDA program was silent on this issue by then.
More controversially, the CDA-PvdA coalition preferred to calculate benefits based on average salaries rather than final earnings. This turned out to be the main source of disagreement between the social partners and the cabinet, and it would not be settled until the stock market turndown in 2001/2002 (Anderson 2007: 733-3).

Table 8.3 Main pension reforms under the CDA-PvdA government, 1989-1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in CDA</th>
<th>Role of traditionalists in PvdA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Abolish employers’ AAW contributions and replace these by employees’ contributions from 1990</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td>1990</td>
<td>Outlaw hours limits for entry in occupational pension funds</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td>1991</td>
<td>One year of employment counts only if the person has worked 52 days per days</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
</tbody>
</table>
| 1992 | - Freeze AOW, disability and unemployment benefits in 1993  
- Sanctions for disability beneficiaries who do not accept a suitable job offer  
- Make disability benefits contingent upon the number of years a person has worked after a year of entitlement  
- Variation in employers’ contributions to sickness benefits, depending on the level of absence rates  
- Employers who hire a partially disabled employee for a minimum of one year can qualify for a ‘bonus’ up to half the gross annual wage  
- Employers can be penalized with a ‘malus’ up to half the gross annual wage if they discharge disabled workers in in excess of the sector-specific average  
- Unemployed can seek work at their former level of education and/or work experience only for the first 6 months | Very weak | Weak |
| 1993 | - Freeze AOW, disability and unemployment benefits in 1994  
- Require the relationship between the impairment and the disability to be objectively assessable  
- Lower levels of benefits for new claimants of disability pensions  
- Remove all state support for disability pensions as of 1994  
- Widen the definition of suitable work for the disabled  
- Extend social security benefits to those working less than one-third the normal working week  
- Employers responsible for first 6 weeks of sick pay  
- New method of private saving | Very weak | Weak |
| 1994 | - Introduce right to transfer occupational pension rights  
- Include part-time workers in occupational pension schemes | Very weak | Weak |
| 1994 | - Decrease tax advantages of new method of private saving  
- More emphasis on income testing for minimum pensions | Very weak | Weak |


Finally, finance minister Kok introduced a new method of private saving in 1993, but soon reduced the fiscal advantages after the financial implications started to become clear. What is most astonishing, however, is that Kok’s pragmatic course, including the cuts in the sickness and disability program, met no strong opposition anymore. After the hot summer of 1991, several changes had been implemented that strengthened the position of the top leadership at the expense of regional executives. Most notably, the small but powerful party council with several regional functionaries was dismantled. In addition, the very decentralized process for selecting candidates for elected positions was altered into a very centralized practice (Hillebrand and Irwin 1999: 137). As a consequence, it became increasingly difficult to launch criticisms internally (interview with PvdA-insider).
Moreover, the left wing had largely disappeared. What remained was fragmented and even the informal networks had been largely dismantled. The former chairman’s efforts to establish a new social democratic party were in vain after it had become clear that support within the party was rather limited. It seemed that the resignation of the two leftist parliamentarians in 1991 had deprived the traditionalists of their last leaders (Van Praag 1994: 146-7). Yet, this was also the moment when the small Socialist Party started to grow. The implications of which would become clear in the 2006 elections.

8.3 Pension Politics in a Miraculous Period: Nothing is More Successful Than Success

The campaign for the May 1994 elections started in late summer 1993. By then, the Netherlands was one of the European frontrunners according to most macro-economic indicators. Nevertheless, active-inactive ratios were consistently high and the Central Planning Bureau forecasted that the government deficit would vary between 3 and 4 percent in a period of looming EMU membership. The main author of the CDA manifesto, party executive and economic policy spokesman in the First Chamber, picked up this gloomy message. The whole financial section of the manifesto had been kept out of internal discussions, including a discussion about the flat-rate pension (AOW). In January, the CDA party executive announced that the AOW would have to be frozen for the next four years (CDA 1994: 34-5).

PvdA leader Kok was much more careful. His party did not rule out continued freezes, but did not specifically promise them either (Anderson 2007: 740). Moreover, the main author of the PvdA’s 1994 manifesto, argued that Kok wanted to prevent another internal crisis on welfare policy and opposed unpopular cuts in a period of economic fortune (interview). In early March, the municipal elections provided a hint of things to come: the CDA lost heavily. In the wake of this defeat, CDA members began to revolt against the savings measures. As many as 75 percent of the CDA members polled opposed the freeze, prompting the party executive to step down. Elco Brinkman had just succeeded Lubbers as party leader and remained. However, Brinkman did not distance himself from the freeze. The PvdA now tried to benefit from the situation and announced that it would consider indexation next year. In the end, Lubbers tried to uphold social compensation and even publicly announced he
would not vote for Brinkman. As such, an internally divided CDA entered the election (Green-Pedersen 2002: 105; Anderson 2007: 740).

Predictably, the CDA suffered a major defeat, scoring its worst result ever. The PvdA lost a quarter, but still managed to become the largest party. The winners were VVD, D66 and two newly established elderly parties, the latter obtaining seven seats not least because of the CDA’s AOW blunder. Ironically, the pivotal power of the CDA was so strong that it had managed to draw the PvdA and the VVD so close together that they were able to form a government without the CDA (Green-Pedersen 2001: 145). The “purple coalition” was strongly favored by D66, the third coalition party. Accordingly, a near century of confessional rule ended and Brinkman resigned.

Yet, forming a purple coalition was not straightforward. To quote Kok, ‘I felt that the distance to the VVD was largest… though we had obviously become more pragmatic and a social liberal stream started to become visible in the VVD (Kok 2005: 67). Obviously, social security was the most difficult item… The CDA – which became more and more divided internally – stuck to further retrenchments while the VVD was willing to establish a relationship with the volume development. Apart from some restructuring, there was no necessity for a full blown retrenchment if the economy would continue to develop well. This allowed me to cut the knot’ (ibid: 70).

Kok became prime minister and Ad Melkert, a financial expert, social minister. Although Dutch social democrats have always shied away from openly declaring themselves part of the Third Way political project (Hoop 2004: 69)22, Melkert admitted that his own ideas were more or less in line with those of Antony Giddens (Lucardie et al. 2001: 70). Furthermore, the liberal Gerrit Zalm, former director of the Central Planning Bureau, obtained the finance portfolio. Zalm became world famous in the Netherlands for the so-called “Zalm norm”, the principle that windfalls should not immediately be used to expand policy while disappointments should not immediately trigger retrenchments. Given this principle and the favorable economic context, meeting the EMU convergence criteria was a foregone conclusion.

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22 “This is understandable. First, in many European countries the label ‘Third Way’ is often associated with Britain, (post)-thatchersim and neo-liberalism. It is thus regarded as inappropriate terrain for the left, however modern it aspires to be. Second, to openly adopt the ‘Third Way’ label may be perceived as some sort of acknowledgement of a leadership role for the UK and the British Labour Party in the international Social Democratic movement. This can make Social Democrats proud of their own achievements in their respective countries, feel uneasy’ (Bonoli 2004: 198-9).
The first purple coalition did not slow down the government’s welfare reform effort (Visser and Hemerijck 1997: 146). As such, the change in government did not imply much change in social policy (Green-Pedersen 2002: 106). Table 8.4 shows that eligibility to unemployment benefits was tightened. Furthermore, the privatization of sickness and disability benefits was continued. Finally, the AOW supplement for spouses/partners younger than 65 was abolished.

Table 8.4 Main pension reforms under the PvdA-VVD-D66 governments, 1994-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in PvdA</th>
</tr>
</thead>
</table>
| 1994 | - Freeze AOW, disability and unemployment benefits in 1995  
- In order to qualify for a pay-related unemployment benefit, an applicant must have worked at least 26 weeks in the last 39 weeks rather than 12 months  
- In order to qualify for a pay-related unemployment benefit, an applicant must have worked at least 4 years (instead of 3 years) in the 5 years preceding dismissal | Weak |
| 1995 | - Abolish supplement to pensioners with partners younger than 65  
- Introduce means-testing in survivor’s pensions  
- Entitle widowers to survivor’s pensions  
- Tax deduction for the elderly  
- Replace bonus/malus arrangement for employers by obliging the employee to pay the first 4 weeks of the disability benefits if (s)he becomes disabled for the same reasons after 5 years | Weak |
| 1996 | - Introduce the AOW public savings fund  
- Increase AOW contribution rate from 14.6 percent to a maximum of 16.5 percent  
- Oblige employers to pay employees 70 percent of their salary in the first year of sickness  
- Uniform sanctioning policy for all social security beneficiaries  
- Stricter sanctions for social security beneficiaries | Weak |
<table>
<thead>
<tr>
<th>Year</th>
<th>Reforms</th>
</tr>
</thead>
</table>
| 1998 | - Introduce a system for career interruption allowing for taking courses that will improve one’s employability. If the employee is replaced during this period, the government provides a maximum compensation of 444 euros per month  
- Finance disability benefits solely by employers’ contributions (instead of both employers and employees) and make this partly dependent on the disability level in a firm  
- Allow firms to opt out of public disability insurance and to choose freely among private insurers to cover their legally mandated disability liabilities over a five-year period  
- Subsidies for employers when hiring occupationally disabled people  
- Introduce a public occupational disability insurance scheme specifically for the self-employed  
- Phase out tax deductibility of the VUT scheme by moving towards funded early retirement schemes that make actuarial adjustments dependent on age by 2018  
- Introduce an age-threshold beyond which salary increases are not included in the accumulation of pension rights  
- Allow pensions to be transferred to a new employer  
- Reduce minimum age for a full occupational pension from 65 to 60  
- Enable employees to set aside 2 percent of their pay a year to build up their pension (previously 1.75 percent)  
- Increase the maximum pension from 70 percent to 100 percent of final pay due to an allowance to use savings in building up pensions  
- No longer cut employees’ pensions cut if they work fewer hours or have less highly qualified work over the last 10 years before retirement |

**Sources:** Information on reforms derived from Teulings et al 1997; EIRO 1998b; Green-Pedersen 2002; Hoop 2004; Anderson 2007; Van Gerven 2008; De Staatscourant 1994-2002.
The abolishment of the AOW supplement for spouses/partners younger than 65 prompted opposition from the social partners. Employers feared that the cut would create pressures for the social partners to fill the gap in agreements on wages and/or occupational pensions. Interestingly, only the PvdA backed it as the VVD and D66 tried to find other cuts (Anderson 2007: 740-1). In 1995, Kok justified his party’s pragmatic course by noting that ‘the PvdA rather than the liberals has taken responsibility for unpopular but necessary policies during the last six years. The old ideology proves incapable to answer today’s key questions sufficiently. Shedding off the ideological feathers is not merely a problem for a political party like ours, it has also been a liberating experience in certain respects… By now, this process has nearly been completed’ (Kok 1995).

Yet, the CDA’s electoral punishment appears to have convinced most politicians that further AOW cuts were too risky. Indeed, so present was the fear of AOW-related electoral reprisals, that in early 1994 the VVD and D66 started to push for the AOW to be excluded from the 1991 indexation law. The PvdA opposed it and AOW benefits were frozen for 1995. This had no effect on AOW retirees because of the introduction of a tax deduction for retirees. Luckily, strong employment growth associated with the “Dutch miracle” allowed the cabinet to restore the net linking of the minimum wage and social benefits to real wage increases (Anderson 2007: 741).

In May 1995, the PvdA fraction presented its plans for reforming the AOW, including pension contributions for well-off pensioners and wage-earners, the introduction of a reserve fund, and an increase in the retirement age. By early 1996, D66 joined the PvdA in demanding a reserve fund and AOW contributions for well-off pensioners. The VVD and CDA were willing to accept the reserve fund, but rejected far-reaching attempts at fiscalization. In September 1996, the government finally settled on a combination of contribution increases combined with the establishment of a maximum contribution, increased public financing and the introduction of a reserve fund. In a fortunate economic period, tax revenues were higher than expected. This enabled the government to put a one time deposit of 2.8 rather than 2.1 billion into the reserve fund (ibid: 741-4).

In occupational pensions, the purple coalition, like its predecessor, called on the social partners to switch from final earnings schemes to average pay schemes. However, the social partners still opposed it. In September 1996, the government therefore threatened to withdraw tax deductibility for final pay schemes if the social
partners did not introduce changes within two years. The pressure paid off. In December 1997, the government, employers and unions signed a covenant for occupational pensions agreeing in particular, agreed to reduce reliance on final earnings and to expand coverage of part-time and flexible workers (EIRO 1998a; Anderson 2007: 745-6). As a side payment, the cabinet implemented legislation in 1998 that gave employees more freedom in choosing how they build up their pensions (EIRO 1998b, see table 8.4 for an overview of the main measures).

Meanwhile, the CDA was still in shock after its exile in opposition. It had no experience with the role as opposition party and changed leadership twice before the May 1998 election. Moreover, it was very difficult, if not impossible, to oppose seemingly successful socio-economic policies which were not essentially different from those the CDA itself would have liked to carry out (Van der Brug 1999: 180-5; Green-Pedersen 2002: 106). In the words of one CDA politician, ‘our opposition has been very poor thus far. We almost seem an appendage of the cabinet’ (in Versteegh 1999: 131). A former CDA prime minister even advised the fraction to ‘congratulate the government with executing the CDA program’ (in ibid: 134). Nevertheless, the party did start a phase of re-orientation in social policy in general and, as we shall see in the subsequent chapter, family policy in particular.

The 1998 election campaign proved very peaceful. The coalition parties had indicated that they wanted to continue together and both the PvdA and the VVD reaped the benefits for economic success. As the CDA suffered further losses, the purple government with its popular prime minister Kok could continue (Hillebrand and Irwin 1999: 138-9; Green-Pedersen 2002: 106-7). Finance minister Zalm also continued, but social minister Melkert came to lead the PvdA fraction. After Melkert’s successor joined the department of internal affairs in March 2000, the pragmatic Willem Vermeend, a professor in fiscal law, became social minister. As one of Vermeend’s fellow partisans eloquently put it, ‘you can trust everything to Willem, except for socialism’ (in Parlement en Politiek). Vermeend in his turn was succeeded by Wouter Bos as finance under-minister.

The second purple government considerably slowed down welfare reform. According to one PvdA politician, ‘the pressure clearly was off the kettle after the economy was booming’ (interview). A colleague confirms that ‘success had gone to our heads and we said: we are actually performing quite well, we are competitive again and we have joined the EMU. So why should we make difficult choices?’
Indeed, table 8.4 portrays few retrenchments. The exception to the rule is the establishment of some new sanctions for disabled employees and employers who do not co-operate sufficiently in reintegration activities. After a drop in the early 1990s, the number of disability beneficiaries was on the rise again and reached a massive 946,000 in February 2001 (EIRO 2001a). But even here the PvdA moderated cuts demanded by the VVD and D66 (EIRO 2001b). A PvdA politician posed that ‘few things had been done to reintegrate older workers since Kok wanted to prevent another disability affair’ (interview). For the rest, Wouter Bos played a key role in establishing a scheme that enables employees to save time and money for educational and parental leave. This was to be facilitated via tax incentives. Finally, Bos and Vermeend were involved in establishing the 2001 tax reform (interview with PvdA politician). The latter reduced labor costs with approximately 18 billion guilders (De Rooy 2005: 211).

8.4 Pension Politics after the Miracle: Nothing is Less Successful Than Failure

Success is a fickle story. A year before the May 2002 election, the major political question was whether the popular Wim Kok would continue. In August 2001, Kok appointed Ad Melkert, a competent but not especially popular politician, as his successor and polls indicated electoral stability (Van Holsteyn and Irwin 2003: 43-4). In the meantime, economic growth declined from 3.9 percent in 2000 to 1.9 percent in 2001. It would drop to 0.2 percent in 2002 and 2003 (OECD: 2008). Since class and religion do not go far in explaining Dutch votes anymore, one might concur with Bill Clinton’s 1992 campaign that ‘It’s the economy, stupid!’ Well, it surely was not the economy in the 2002 Dutch election. The evaluation of the voters regarding governmental economic performance was as favorable as in 1998 (Van Holsteyn and Irwin 2003: 47-55).

Only in January 2002 did the first signs appear of what was to come. The right-wing populist Pim Fortuyn had announced his intention to run for parliament a few months ago and he climbed consistently in the polls (ibid: 45). His main populist message was written down in a bestseller called ‘The mess of eight purple years’. Fortuyn’s success can be explained by the fact that political debates had cooled down considerably during the two purple governments. The former arch-enemies VVD and
PvdA had joint forces in office while we have seen above that the CDA could hardly oppose the cabinet (cf. Te Velde 2005: 146).

Elections were held nine days after Fortuyn’s assassination on May 6. The CDA emerged as the largest party, receiving 43 seats and regaining its pivotal position. Whereas the PvdA, VVD and D66 suffered their largest losses ever, the LPF obtained 26 seats, a record for a new party. This enabled the CDA to form a coalition with the LPF and VVD.

In opposition, the CDA had been wrestling with its identity. According to a CDA politician, ‘the period after the massive defeat of 1994 had been a very useful period for reflection. This should not be the case since you should also make sure that the thinking process continues during a period of governmental responsibility’ (interview). Another CDA politician noted that ‘the period between 1994 and 1998 had been the desert period of the CDA. When we lost again in 1998 we said against each other: we have to renew our range of ideas if we want to take our responsibility again and obtain office. This resulted in a series of studies by the scientific institute entitled “Tired of waiting”’ (interview).

Indeed, the director of the scientific bureau argued that ‘the opposition years represented an opportunity rather than a threat for the scientific institute’ (Van Gennip 1998: 204). He and his colleagues were clearly taken seriously by the party leadership (Versteegh 1999: 213). The former scientific employee Jan Peter Balkenende even became the fourth leader in the CDA’s opposition period. In September 2001, both the party leader and the party executive resigned after a struggle over the candidacy list for the 2002 elections. The parliamentary fraction then opted for Balkenende. One of Balkenende’s first efforts had been to co-author a report labeled ‘From caring state to caring society’ (CDA 1984). Like his dissertation (Balkenende 1992), the report stressed the ideal of a responsible society in which the state had to retreat. Another notable report in which Balkenende had co-operated pleaded in favor of abolishing the minimum wage just one year after the AOW disaster (CDA 1995). Everyone who could work should work was the main message. Accordingly, it received praise from employers and the VVD leader but was labeled ‘a tough rightist piece’ by the FNV chairman (in Versteegh 1999: 219).

A final report worth noting here had been written by Ab Klink, Guusje Dolsma and Peter Cuypers in September 2001. It was part of the series ‘Tired of waiting’, indicating the CDA’s hunger for government participation, and promoted an individual
savings scheme for parental leave, educational leave and flexible retirement. This was to be facilitated via tax advantages (CDA 2001). As to the authors, Peter Cuyvers was a scientific employee at the Dutch Family Council, an independent advisory body on family policy. Guusje Dolsma currently is the secretary of VNO-NCW, the main Dutch employer federation after the VNO (Federation of Dutch Enterprises) had officially merged with the NCW (Christian Employer Federation) on December 31, 1996. Last but not least, Ab Klink is a personal friend of Balkenende and had been director of the scientific institute between 1999 and 2007. In 2006, Klink posed that ‘the ties between the scientific bureau and the party have become very direct. For instance, we closely co-operate with Maxime Verhagen (the CDA’s parliamentary leader by then: author’s information) and the cabinet. Here, it also plays a role that Jan Peter and I happen to know each other for a long while’ (interview).

Jan Peter Balkenende came to lead the CDA-LPF-VVD coalition. He allocated the social ministry to Aart Jan de Geus, former CNV vice-chairman and management consultant. De Geus was particularly concerned about the welfare state’s financial sustainability (NRC 01.03.2004). In February 2001, he proposed to retrench the disability scheme and complement it with individual savings (Trouw 22.02.2001). We shall see below that this pragmatic policy position combined with an authoritarian style made him unpopular amongst trade unionists. Furthermore, Gerrit Zalm (VVD) became finance minister for the third time in a row. He did not differ with Balkenende’s views on financial policy (Elsevier 2005: 17).

The CDA’s lengthy preparations in opposition could not prevent a short-lived term in office. Strives within the LPF caused the government to collapse within three months. This contributed to the LPF’s rapid fall in the January 2003 elections. The PvdA, by contrast, nearly doubled its seats under its new leader Wouter Bos, the former finance under-minister. Furthermore, the VVD gained somewhat. Nonetheless, the CDA consolidated its earlier electoral gains and its pivotal position. Before the election, Balkenende had announced that he wanted to continue with the VVD. Therefore, lengthy negotiations between the CDA and PvdA were bound to fail. In the end, Ab Klink admitted that ‘we currently are closer to the VVD with our concrete ideas about how to keep solidarity affordable in the future when many more elderly people depend on their pensions and care from others’ (in Trouw 14.04.2003).
Table 8.5 Main pension reforms under center-right governments, 2002-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditiona lists in CDA</th>
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| 2002 | - Abolish (1998) career interruption scheme  
- Abolish (2001) time and salary savings scheme  
- Introduce a fiscally advantageous way to save in order to take leave when necessary | Very weak |
| 2003 | - Freeze AOW, disability and unemployment benefits in 2004  
- Require unemployed aged over 57.5 to look for a job  
- Abolish follow-up benefit for unemployed  
- Abolish most job subsidy programs  
- No longer oblige employers to pay premiums for disabled employees aged over 55  
- Oblige employers to keep paying employees 70 percent of their salary during the first two years of sickness | Very weak |
| 2004 | - Freeze AOW, disability and unemployment benefits in 2005  
- Abolish disability insurance for the self-employed  
- Reduce unemployment entitlement period by letting the actual work history determine it  
- Make 3 months of trial work possible without impacting on unemployment benefit | Very weak |
| 2005 | - Abolish tax benefits for pre-pension (VUT) schemes  
- Enable employees to accumulate 210 percent of their annual salary by saving an annual maximum percentage of 12 percent of the annual income. This enables one to spend three years of leave, including early retirement, on 70 percent of that salary  
- Employees who have accrued 40 years of contributions in the fund and are aged 63 or above are entitled to a pension of 70 percent of their last earned salary, even if actuarial recalculation of the accrued pension would result in a pension level of less than 70 percent  
- Possibility to accrue extra savings towards the pension via tax incentives over a 15-year period, making it possible to reach a pension level of 100 percent of last-earned salary. This may then be used to quit work earlier at a lower percentage of the last-earned salary | Very weak |
- Lift income tax for each year of participation in life course scheme
- Reduce the levy of 183 euros per year for each year of participation in the new life course arrangement
- Employers’ contribution will also be tax deductible for participants in the new life course arrangement
- Cut first two years of disability benefits from a maximum of 200 percent of the last earned salary to 170 percent
- People with a disability of at least 35 percent rather than 15 percent entitled to disability benefits
- Reduce disability benefits for non-working partially disabled
- Employers hiring or keeping a partially disabled are not obliged to continue paying the wage if an employee becomes sick in 5 years
- Reduce social premiums for employers when hiring or keeping a partially disabled
- Decrease premiums for employers when a partially disabled employee works more than before
- Increase premiums for employers when a partially disabled employee works less than before
- Partially disabled employees receive wage supplements if they use 50 percent of their earning capacity
- Work reintegration for those partially disabled who lose their benefits and cannot immediately find work
- Increase benefits for fully disabled by 5 percent upto 75 percent of the last-earned salary in 2006, providing the number of new WAO entrants is 25,000 or below
- Restrict the work record condition for unemployment beneficiaries from 26 out of 36 (rather than 39) weeks
- Insufficient attempts to find work after the three first months of unemployment result in suspension of benefit entitlement
- Increase unemployment benefit from 70 to 75 percent of the previous wage for the first 2 months

Sources: Information on reforms derived from Anderson 2007; Van Gerven 2008; De Staatscourant 2002-2006.
De Geus and Zalm maintained their portfolios as the CDA continued with the VVD. However, the six seats of D66, the third coalition party, were needed for a parliamentary majority. Table 8.5 shows that, especially from 2002 to 2004, the government led a course towards retrenchment and privatization under Balkenende’s leadership. The economic malaise provided strong political support for the cabinet to push through these market-liberal reforms. Economic growth had virtually come to a halt between 2002 and 2003. Furthermore, unemployment rose from less than 2 percent in 2002 to 4.7 percent in 2005 (OECD 2008). In Balkenende’s words, ‘a well-functioning economy, no unemployment problems and many windfalls would have given another color to, shall I say, the tough decisions one has to take’ (in Elsevier 2005: 32). Finally, the cabinet used the Lissabon target of a 50 percent participation rate among the elderly to legitimize the vehement attacks on early pensions (concept central agreement 2004; Balkenende 2005). Social minister De Geus, for instance, quoted Wim Kok in his EU report Facing the Challenge. ‘Time is running out and there can be no room for complacency’. De Geus continues that the report recommends a comprehensive active aging strategy. According to Kok, such a strategy demands a ‘radical policy and culture shift away from early retirement’ (in TK 25.11.04: 28-815).

Not surprisingly, the government’s market-liberal reform agenda did not please the unions. In November 2002, the social partners and the first Balkenende cabinet were still able to reach a central agreement on wage moderation for 2003. The two obstacles had been the employers’ demand for wage restraint, and the government’s plans to abolish job subsidy programs. In return, the unions were offered some small concessions, including a one-year delay of a retrenchment requiring unemployed over 57.5 to search for jobs. Furthermore, especially the FNV leadership staked its hope on a new government with the PvdA, now rising swiftly in the polls (Van der Meer and Visser 2005: 14-6).

A year later, it proved much more arduous to reach a central agreement. Female CDA parliamentarians in particular had been frustrated by the VVD’s initial role in marginalizing the life course savings arrangement and opportunities for paid parental leave (FD 30.10.02). During the subsequent coalition negotiations, the CDA then pushed through its demands. To quote a CDA politician, ‘we could have had it with the PvdA and now we really wanted it’ (interview). In October 2003, the CDA-VVD-D66 coalition began to negotiate the life course scheme with the social partners in exchange for wage restraint. The cabinet planned to abolish tax benefits for early
retirement (VUT) schemes and to introduce the life course arrangement. Unlike the collective obligation to save for early retirement, as stipulated in many collective labor agreements, the government favored an individual savings scheme to be executed via financial institutions (Van der Meer and Leijnse 2005: 13).

During negotiations in May 2004, this proved to be the main obstacle for the unions. The VNO-NCW, by contrast, embraced the opt-out clause and also agreed with the government to increase the minimum age for early retirement to 62.5. After the negotiations failed, the government aimed to unilaterally implement the bill. This only deepened conflicts since the trade unions had felt seriously offended by the government’s complete ignorance of the SER. In addition, social minister De Geus heated up the fire by announcing a study of the possibility to abolish or revise the minimum wage legislation. Finally, De Geus had made true his threats to retaliate against the FNV by sending a law to parliament allowing him not to extend collective agreements when these contained wage increases. Accordingly, the unions organized several protests in the Autumn, including the second largest demonstration against any post-war government (Van der Meer and Visser 2005).

By now, key representatives of VNO-NCW started to fear the end of peaceful labor relations. The government clearly began to overplay its hands. There was not much coordination with a sick prime minister absent from mid-September to late October 2004. To make matters worse, time was running out before the next election. Accordingly, the cabinet quickly settled at some concessions in return for wage restraint in 2004 and 2005. The SER advice on reforming the disability program was adopted almost completely. For instance, fully disabled persons will still receive 70 percent of their last earned salary. This was even increased by 5 percent in 2006, since the number of disability beneficiaries fell below 25,000 by then. Moreover, the government wanted to abolish unemployment benefits for the short-term unemployed and deduct all or part of the compensation awarded to dismissed workers from their unemployment benefits. However, it now settled for the SER advice (EIRO 2004; Van der Meer and Visser 2005).

The government’s plans to introduce a life-course savings scheme and to abolish tax deduction for early retirement were also moderated by the trade unions. Employees now have the right to accumulate 210 percent of their annual wage (rather than the 150 percent proposed in May). This enables them to spend three years of leave, including early retirement, on 70 percent of that salary. According to a CDA-
insider, ‘this was a good thing. Personally, I was very happy with the pressure by the trade unions. Otherwise, the life course arrangement would have been bound to fail. The VVD and D66 were not major proponents and Aart Jan de Geus was not all that keen on having that 210 percent. The CDA fraction clearly was. This is where the idea of that 210 percent came from. I think we have been lucky that the trade unions made themselves heard because it would not have came from the cabinet’ (interview).

Furthermore, the government’s plans had envisioned banks and insurance companies to offer life course schemes (Van der Meer and Leijnse 2005: 15). However, a CDA politician thanked the unions for also ensuring a role for pension funds, where unions take 50 percent of board responsibilities. ‘This allows the life course arrangement to become a success’ (interview). Paradoxically, the unions had thus eventually helped the CDA in establishing what Jan Peter Balkende called ‘the cornerstone of the cabinet’s reform agenda’ (in FD 26.11.2004). Or, in Ab Klink’s words, ‘the life course scheme stands at the base of the CDA’s welfare reform plans’ (interview).

What is perhaps most striking, however, is that the CDA’s market-liberal reform plans virtually met no opposition from within. Such criticism could easily have impacted upon the cabinet since it merely had a two seats majority in parliament. Criticism on the government’s welfare reform agenda mainly came from outside the CDA’s parliamentary fraction. For instance, the former social minister Bert de Vries became a well known critical voice when he published the book ‘Overconfidence and Discomfort’ (De Vries 2005). In addition, it probably was a prominent CDA member who disapproved the government’s proposal on early retirement on behalf of the Council of State, the government’s highest advisory council. The CNV leader hailed this as ‘a first class political statement’ against the cabinet (in Van der Meer and Visser 2005: 21). Unlike in Austria and Germany, however, traditionalists had already been marginalized within Dutch Christian democracy in the mid-1980s.
8.5 Conclusion

To understand why this is the case, it is worthwhile returning to my central propositions on organizational change. In comparison to Austria and Germany, Dutch parties were facing more severe austerity until the late 1980s. Furthermore, the Netherlands remains more de-industrialized and secularized than Germany and Austria. Indeed, secularization caused a large decline in the vote-share of the confessional parties and led to fear amongst denominational politicians to lose the dominant position in office. This triggered the merger into the CDA, a party with a marginalized traditionalist wing. Austerity reinforced the ability for pragmatists to push through pension cuts in a coalition with the liberals from 1982 to 1989. Especially when the economy improved in the mid-1980s, however, key politicians like Lubbers and De Koning slowed down the retrenchment efforts.

In response to the pivotal position of Christian democracy in the Dutch party system, politicians also came to dominate the social democratic party after the “victorious defeat” of 1986. By then, the polarization strategy had reached a dead end, since it had kept the party out of power for nearly a decade. Studies were written, but the former party leader just had no answer on how to cope with austerity and post-industrial social risks. Finally, it was questionable how a strategy appealing to the party’s core constituents could be implemented when this clientele was only shrinking against a background of de-industrialization. In order to enhance the possibilities for participating in future governments, the more pragmatic Wim Kok was brought to the helm of the party.

In 1994, the office-seeking ambitions of the PvdA let it even condone a large electoral defeat triggered by the unpopular welfare retrenchments of the CDA-PvdA coalition. Instead, the party’s pragmatic course enabled the transformed social democrats to govern with their former arch-enemies, the liberals. During its first term, the government did not really slow down its retrenchment efforts. Nevertheless, against the demands of the liberals, it was prime minister Kok himself who ensured that most old age benefits were not to be further cut at a time when the party-context had changed, i.e. the economy and public finances were booming now. Under these fortunate economic circumstances, Kok did not want to risk another electoral defeat on unpopular retrenchments.
Between 2002 and 2006, the economy slowed down and Christian democrats formed a government with several rightist parties, despite long talks with the social democrats. The formation of a grand coalition was made virtually impossible by the fact that Christian democrats had moved further in a market-liberal direction during a process of reorientation in the opposition phase. Accordingly, the center-right government implemented several market-liberal reforms, though the unions could water down the ambitions of a reckless cabinet.

Once again, it would be a period of reflection for the social democrats in opposition. According to a PvdA politician, ‘the 2002 election result had been a crystal clear defeat and we were excluded from office afterwards. This made the party more susceptible to renewal’ (interview). Indeed, the 2002 defeat led to a substantial evaluation report that pointed at the ‘ceased renewal debate after sudden participation in government in 1989’ (PvdA 2002: 12). After the government negotiations failed with the CDA in early 2003, the new party leader Wouter Bos did not waste any time and immediately announced a major renewal within the PvdA (Kalma 2004: 74). Typical of his pragmatic line of thinking is the title of a speech Bos gave in June 2003: Equality must take a step back in favour of participation. ‘I do not want equality of outcomes. This does not fit with my vision on emancipated citizens who want room to make room for their own choices’ (Bos 2003). Furthermore, a PvdA commission finished a study on the future of the welfare state in December 2005 and, amongst other things, concluded that the level of AOW should be guaranteed for all income groups (PvdA 2005). However, it faded into the background after the sudden fall of the CDA-VVD-D66 coalition in June 2006. In this respect, the fall of the second Balkenende government and the subsequent elections came too soon for the PvdA.

Most likely due to the unpopularity of welfare state retrenchment, the CDA polled extremely low from 2003 to 2006. Just before the elections of November 2006, however, Bos virtually repeated the CDA’s 1994 campaign blunder by politicizing the issue of population ageing and announcing a fiscal retrenchment in the AOW for higher income retirees. This backfired immediately and instigated a massive negative response among voters and party members from which the PvdA, although Bos withdrew the proposal, did not recover. Now, after four years of cutbacks, the CDA could suddenly present itself as the defender of the AOW while voters on the left massively opted for the Socialist Party. The latter jumped from nine to 25 seats.
Instead, the PvdA lost ten seats, a quarter of its former total. The CDA, in its turn, lost three seats and remained the largest party (Van Kersbergen 2008: 272-3).

In February 2007, the CDA joined forces with the PvdA and the Christian Union, a small confessional party that pursues a traditionalist program in transfer policy. Despite all the hectic about pensions during the campaign, the government has implemented a fiscal retrenchment for those retirees whose supplementary pensions exceed € 18,000. The measure will be effective from 2011 on and is gradually raised from 0.6 percent to 17.9 percent in 2040. If people between 63 and 65 work, they will receive a “bonus” that equals the amount the amount of the cutback. In short, despite the increased electoral threat from the SP, the PvdA still continues a pragmatic course. In line with my proposition on the importance of office-maximization behavior, the PvdA condoned a large electoral defeat and opted for government participation. In the meantime, to the regret of a few prominent CDA members, internal discussions are off the agenda for their party, with its firm, dominant role in office. According to one parliamentarian, ‘we are too busy governing this country. I lack discussion within the party, the ideological breeding ground’. Indeed, a party member complements that ‘the motto is: keep things silent, do not say a word. Why should we when everything is going well in the polls?’ (in NRC 10.11.07).
9 How Dutch Christian Democrats Said Farewell to Famialism

Like in Germany, chapter five found that power resources theory explains family policy until the early 2000s. However, once the CDA returned to office in 2002, CDA-led center-right governments opted for expanding policies supporting working mothers. This chapter analyzes whether our proposition on organizational change can help to explain these remarkable findings.

To do so, the first section discusses family policy from 1982 to 1994, the period when the CDA was the leading coalition party. Afterwards, I turn to the “purple coalition”. Section three studies family policy under CDA-led center-right coalitions from 2002 to 2006. Section five concludes.

9.1 Family Politics until 1994: Politics as Usual

By 1980, women’s labor force participation remained the lowest in the OECD countries, and the Dutch welfare state strongly supported the male breadwinner ideal. Especially after 1985 it rose sharply. To be more precise, it increased from 34 percent in 1980 to 36 percent in 1985 and jumped to 48 percent in 1990. Nonetheless, the Dutch rates still lagged behind the levels of Germany and Austria (OECD 2008a). Moreover, growth can largely be attributed to part-time work. As a consequence, more women held part-time jobs than in any other OECD country. Notably, the share of working women in part-time employment rose from 45 percent in 1985 to 53 percent in 1990 (Yerkes 2006: 12).

Along with increasing labor force participation came increasing political mobilization and representation. The decline in union membership among male workers occurred at the same time as more women joined the labor force. Though Dutch unions mainly represent full-time workers with standard contracts, women constitute the largest part of new union members, and the share of female members gradually rose from just over 10 percent in 1975 to 23 percent in the mid-1990s. Accordingly, both FNV and CNV begun to take up issues such as child care and parental leave Visser and Hemerijck 1997: 85-86; Huber and Stephens 2001: 285). Women’s activity in political parties also increased. Within the PvdA, the women’s organization, established in 1969, vehemently supported policies aimed at equal
gender rights, including child care. Its representatives had personal ties to the PvdA leadership and had strong influence on the PvdA’s policy preferences in the 1970s and 1980s (Van Praag and Brants 1980: 19; Van Praag 1994: 147).

Within the CDA, we shall see that a coalition of familists remained dominant until the mid-1990s and that the role of the women’s organization remained marginal until then. As such, the party certainly did not respond mechanically to increasing female labor market participation and secularization. As to the latter, the CDA was supported by more than half of all Catholics and over a third of all Protestants between 1977 and 1989. However, the share of Catholics in the electorate declined from 40 percent in the early 1970s to 29 percent in 1990. For Protestants this development was even stronger as its proportion dropped from 30 percent to 12 percent. Furthermore, especially those attending church services have been loyal to the CDA over time. Around two thirds of all Catholic people that went to church supported the CDA in 1977 and 1989. In addition, slightly more than half of all Protestants attending church services voted for the party (Van Wijnen 1998: 56).

By and large, the remaining part of the practising Protestant voters opted for three small fundamentalist Protestant parties, that is, the State Reform Party (SGP: Staatkundig Gereformeerde Partij), the Reformed Political Association (GPV) and the Reformational Political Federation (Reformatorische Politieke Federatie: RPF). The combined total national vote for all these parties was around 6 percent in 1981 and 4 percent in 1989. Representing different strands in fundamental Dutch Protestantism they portray the Dutch tendency towards political fragmentation. In policy terms, however, they share many features. The bible is their compass in all matters and moral issues are evidently of key importance. They are completely opposed to abortion and euthanasia, want to restrict divorce and advocate the traditional family ideal (Jacobs 1989b).

Like the main confessional parties and their successor the CDA, the small Protestant parties were particularly challenged by the fact that the share of practising confessional voters structurally declined from 52 percent in 1956 to 33 percent in 1980 and 31 percent in 1990. The number of practising Catholics dropped from 30 percent in 1956 to 26 percent in 1977 and 14 percent in 1990. As to the Dutch reformed and the Calvinists, the two main Protestant groups, the proportion of practising Dutch Reformed declined from 12 percent in 1956 to 9 percent in 1977 and 8 percent in 1990. Finally, the number of practising Calvinists dropped from 10
percent in 1956 to 9 percent in 1977 and 8 percent in 1998 (Jacobs 1989b; Van Wijnen 2001: 56).

Despite the presence of small fundamentalist Protestant parties and a context of secularization, the PvdA’s emphasis on equal rights faced strong but subtle opposition from the CDA. For instance, the elections of 1981 had resulted in a patched-up coalition between the CDA, the PvdA and D66. It lasted only eight months as the PvdA resigned over the issue of welfare retrenchments. In family policy, positions between the CDA and PvdA also diverged too much by then. Notably, Elske ter Veld, a dedicated representative of the PvdA’s women’s movement and the former head of the FNV’s women’s department, had worked out a proposal to expand public child care together with a parliamentarian of a small socialist party. This was embraced by the PvdA’s emancipation under-minister, Hedi d’Ancona, who had co-founded ‘Man Woman Society’, the main feminist group in the Netherlands. However, the responsible Christian democratic minister vehemently opposed the plan as it could not be reconciled with his Dutch Reformed beliefs (Verschuur 2005: 32).

The plan was off the table once the CDA-VVD government came to power in 1982. Research of an interdepartmental working group on child care had indicated that 12,000 places were lacking in 1984. Yet, the Protestant minister of wellbeing, health and culture, Elco Brinkman (CDA), posed that ‘caring for children is first and foremost a task and responsibility of parents’ (in ibid: 34). The liberal under-minister also stressed parents’ personal responsibility. Hence, this provided a justification from both a liberal and a confessional perspective to minimize the government’s role. Accordingly, the subsidy for child care was lowered from 40.5 million guilders in 1983 to 35.5 million in 1984 (ibid). Moreover, obligatory parental contributions for child care were raised in March 1985. Though this may be also justified by the fact that the Netherlands suffered economic and budgetary problems that extended those of our other cases, the government did find the financial resources to increase child allowances for large families in 1983 (De Jonge 2005: 4).

In addition to the interdepartmental working group on child care, several advisory bodies to the government, like the Emancipation Council and the Dutch Council for Family Affairs, countered that the government needed to ensure sufficient, affordable and high-quality child care. To raise political pressure, two PvdA parliamentarians submitted a bill that awarded companies fiscal advantages
when supplying child care. Finally, the EU set up several action programs in the 1980s that were aimed at promoting equal gender rights. The programs mentioned child care as a prerequisite for women’s emancipation, and even made it the top priority in 1989 (Verschuur 2005: 35-37). After a number of rulings by the European Court of Justice and years of legal proceedings there were indeed some expansions of equal rights. Notably, the rulings provided the impetus for ending the formal discrimination against married women in disability insurance, unemployment benefits and public pensions. The latter had the widest-ranging impact, as it entitled both parents to equal entitlements. However, it left women at a comparative disadvantage as they had to pay contributions while housewives did not while having similar entitlements. In 1985, the unit of contribution to all public social security schemes was changed from the household to the individual, but health care remained exempt, and the household remained the calculation unit for means-tested programs (Huber and Stephens 2001: 286; Anderson 2007: 234-7).

During the election campaign of 1986, the PvdA again pleaded in favor of a greater responsibility for the government in providing child care facilities. Using a famialistic discourse, the Dutch Reformed parliamentary leader of the CDA, Bert de Vries, replied that the PvdA seemed to be willing to take children away from their parents quickly after birth and to send them to public child care. As the CDA-VVD coalition continued after the elections, so could minister Brinkman. Soon afterwards, he made his famialistic orientations public in the most widely read Dutch women’s magazine by arguing that bringing children to child care implied that ‘one would leave children a little bit up to themselves’ (in Verschuur 2005: 37).

Yet, those supporting equal rights got unexpected support as the Christian democratic social minister De Koning, Dutch Reformed like his fellow partisans Brinkman and De Vries, posed that the lack of child care provides an ‘obstacle in striving towards our goal: economic independence for women through paid employment’. From his perspective, child care could be useful for companies to attract female employees as soon as the economy improves. Accordingly, the social ministry began gathering foreign “best practices” which could be implemented. Furthermore, the CDA women’s movement started mingling itself in the party’s discussion by emphasizing equal rights. The latter required an expansion of child care. In addition, the unions and an increasing number of employers preferred more public money for child care. From the perspective of the employers, this provided an
opportunity to attract female workers now that the economy yearly grew with around 3 percent since 1984. Though Brinkman’s civil servants worked out a proposal for a central fund to stimulate child care, he himself remained far from convinced. In fact, the minister ensured that a large number of child care arrangements would be transferred to municipalities in 1987. At the same time, the municipalities’ budget for social and cultural work was cut by 200 million guilders, that is, by 42 percent. Accordingly, several municipalities retrenched child care facilities from 1987 on, the year that social minister De Koning had announced that 160,000 places were lacking (ibid: 38-54).

After 1989, the CDA formed a coalition with the PvdA. The latter had once again stressed that it was of utmost importance to enable women to reconcile work and family life (PvdA 1989). However, initiatives in the direction of equal rights were far from popular amongst most Christian democrats. Neither was the new Christian democratic social minister, Bert de Vries, an active promoter of dual-earner arrangements like parental leave and child care (interview with CDA-insider). The result was a sort of stalemate. For instance, parental leave was introduced in 1990, but it remained unpaid and thus an unattractive option. Interestingly, it had been initiated by social minister De Koning in 1988 (www.parlement.com). Afterwards, the social democratic under-minister Elske ter Veld rather than minister De Vries took over the initiative (interview with Bert de Vries).

Likewise, at least in the sphere of family policy, the orientations of the Christian democratic spokes woman on child care closely resembled those of the social democrats rather than those of most within her own party. Notably, during the coalition negotiations, CDA negotiators Bert de Vries and Elco Brinkman did not want to go further than providing fiscal incentives for companies arranging child care as agreed upon by the social partners in the Social Economic Council. However, the CDA’s spokes woman on child care and the PvdA could push for 290 million extra guilders. In the face of looming budget deficits, PvdA party leader and finance minister Wim Kok could halve the 40 million guilders reserved for 1990. In response, Hedi d’Ancona – the social democratic minister of wellbeing, health and culture – then quickly spent the additional 250 guilders (Verschuur 2005: 46-7). Subsidies were provided for child care facilities, day care host parents, and care for young school children. Between 1990 and 1993, the measure increased the share of children in subsidized child care from 2 percent to 4 percent (Huber and Stephens 2001: 286). By
Dutch standards, this was an impressive result as 40,000 extra places were created in three years time. In the meantime, minister D’Ancona had developed plans to extend the subsidies to 1994 and 1995.

9.2 Purple Family Politics: Politics as Usual within an Unusual Coalition

As we have seen in the previous chapter, the pivotal power of the CDA was so strong that it had managed to draw the PvdA and the VVD so close together that they were able to form a government without the CDA in August 1994. The “purple coalition” was strongly favored by a social-liberal party, D66, the third coalition party. Accordingly, a near century of confessional rule ended and the CDA’s party leader, Elco Brinkman, resigned. Yet, forming a purple coalition was not straightforward. To quote Wim Kok, the PvdA leader who became the new prime minister, ‘I felt that the distance to the VVD was largest… though we had obviously become more pragmatic and a social liberal stream started to become visible in the VVD (Kok 2005: 67).

Though the VVD, like D66 and the PvdA, in principle supported equal gender rights, representatives of its social-liberal wing were the most active in this regard. One such a representative was Frank de Grave, the new under-minister of social affairs. In November 1987, for instance, he had developed a proposal that involved tax advantages for dual earners. Though De Grave would officially represent the purple government in emancipation policy, it was the social democratic social minister Ad Melkert who became the focal point (interview with family policy expert). To quote a PvdA politician, ‘Melkert continuously insisted within cabinet that difficulties in reconciling work and family life were the central family policy issue and pushed through much legislation aimed at reconciling work and family life’ (interview). Moreover, he used the Dutch EU presidency in the first half of 1997 to put this issue higher on the European agenda (interview with family policy expert).

Apart from Melkert, Karin Adelmund, the former head of the FNV’s women’s department and PvdA parliamentarian from 1994 to 1998, stood at the forefront in promoting equal gender rights. As one PvdA colleague puts it, ‘Karin Adelmund explicitly looked for support of women’s groups, trade unions and social scientists. This put women’s issues on the agenda’ (interview). These efforts from individual politicians were increasingly necessary, since the PvdA’s women’s organization had lost a lot of support in the 1980s and mainly functioned as a discussion network in the
early 1990s (Van Praag 1994: 147). It had been integrated into the party in 1995 and was renamed in 2000, but has thus far not been all that influential.

A key example of Adelmund’s role in promoting equal rights lies in her function of chairing an internal PvdA commission on the modernization of the welfare state. In September 1996, the commission proposed a life course savings scheme that includes paid parental leave (PvdA 1996). Social minister Melkert responded enthusiastically to the commission’s report and by 1997 employees taking parental leave were entitled to receive benefits between 2 and 6 months. However, employers’ associations had successfully lobbied the VVD for ensuring that employees were only entitled if employers could arrange a replacement (EIRO 1997b).

Moreover, the EU parental leave directive, adopted in June 1996, required considerable changes. Notably, it required an extension to all employees, whereas the Dutch 1990 law on parental leave only entitled employees whose weekly working time was at least 20 hours per week. This was particularly important because about 35 percent of all Dutch employees and 55 percent of all Dutch women were working on a part-time basis in 1995. The actual significance of the directive, however, is greatly reduced by the fact that social minister Melkert had initiated a national review process of the 1990 law on parental leave well before the directive was passed, and the reform proposals issued by the Dutch government as a result of that review already incorporated an extension of parental leave to all employees. Though the soft law provisions in the directive generally did not play an important role, trade unions successfully pushed for the adoption of the directive’s recommendation that employees should be entitled to parental leave until the child’s eight birthday (Falkner et al 2002: 14).

The government’s ambition to promote equal rights rather than the traditional family ideal also becomes visible in other domains of family policy. From 1995 on, for instance, children’s age rather than family size determine the value of child allowances. Moreover, already in 1986, PvdA parliamentarians had proposed tax cuts for companies which invested in child care. This was impossible to push through in a coalition with the CDA, but was adopted within a few months after the purple coalition came to power. More specifically, 20 percent of employers’ child care costs were to be fiscally compensated (Verschuur 2005: 36, 81, 87).
As the purple coalition continued in 1998 so did expansions in family policy in the direction of equal rights. The 2001 tax reform removed the remaining shared taxation components, thus further lowering disincentives for second-earners to work more hours (Visser 2002: 33). Notably, the 2001 law on labor and care added several new arrangements such as 16 weeks paid maternity leave and a paid two days paternal leave. Moreover, employers who continue to pay 70 percent of the minimum wage during a period of parental leave receive fiscal compensation (Hoop 2004: 74). Last but not least, the government aims to further stimulate child care in order to promote female labor market participation. As the social democratic under-minister responsible for child care put it: ‘I think child care is a public interest. It is necessary for an equal labor market participation of men and women’ (in Verschuur 2005: 92). Therefore, the second purple government aimed to create 70,000 extra facilities by 2003, that is, to nearly double the existing number. Each year 250 million guilders was spent on child care and 15 million on experiments varying from swim classes to schools with child care facilities. Furthermore, employers could get 30 percent rather than 20 percent of their expenses on child care fiscally reimbursed (ibid: 87).

9.3 Family Politics since 2002: The Usual Party of Government is Back with an Unusual Agenda

We have thus far seen that family policy has been an ideologically polarized domain with Christian democrats and social democrats adhering to two different normative views on the role of the family. However, we can witness a remarkable process of convergence of the CDA towards the family model of the PvdA once it had returned to office in 2002. If we want to understand how this happened, it is first necessary to return to the sudden expel to the opposition benches in 1994.

In line with my central proposition on organizational change, failure to dominate government triggered the replacement of the CDA’s dominant coalition of familialists by equal right supporters in a context of secularization and women’s emancipation. Around two thirds of all Catholic people that went to church supported the CDA by 1994, but their share had halved from 26 percent of the total electorate in 1977 to 13 percent in 1994. Further, around half of all Protestants attending church services voted for the party. However, their relative size had nearly halved between 1977 and 1994, declining from 20 percent to 11 percent of the electorate (Van
Wijnen 2001: 56). As such, not even the most loyal voters could prevent the CDA’s electoral decline.

Increased women’s emancipation increased strains on the traditional family ideal. Between 1980 and 1995, female labor market participation rates had rapidly increased from 34 percent to 54 percent (OECD 2008). Moreover, the claim that both husband and wife should contribute to income was supported by a mere 29 percent of Dutch respondents in 1990 and a massive 81 percent in 1999 (World Value Surveys). These trends also impacted on the position of the women’s movement within the CDA. By the mid-1990s, according to a CDA politician, ‘the CDA women’s group had a reasonable degree of influence within the party. This was supported by a social-cultural trend in society which the CDA could not ignore. More and more well-educated women participated in the labor market. The economy needed them. Within the party, this reinforced the call for policies to support and facilitate this trend’ (interview).

In the 1994 election, the CDA experienced the worst ever result suffered upto then by a Dutch political party, declining from 35 percent to 22 percent of the votes. As we have seen in the previous chapter, this cannot be explained by only pointing at changes in the composition of the electorate. In fact, the neo-liberal election program had scared away many floating voters as well. As the economic predictions worsened, the CDA’s electoral commission accordingly sharpened the retrenchments in the election manifest, including a freeze of the basic pension. The Catholic director of the party’s scientific institute, Jos van Gennip, tried to make the program less neo-liberal and more social by building upon the program of principles. However, the position of the institute was rather weak and its employees were only incidentally involved in recalculating the required amount of cutbacks (Kroeger and Stam 1998: 294-309).

Earlier, the scientific institute had tried to move the CDA towards an equal rights perspective in family policy. A study published in 1986 was the first CDA document that stated that homosexual couples with children should be considered as good a family as heterosexual couples (CDA 1986). Furthermore, Jos van Gennip and a parliamentarian had written a new program of principles in 1993. The program addressed ‘themes demanding great attention during the coming years’ (CDA 1993: 1). One of which was the reconciliation of work and family life. Here, it was argued that ‘the government should stimulate participation in the labor market, especially amongst elderly and partners without a job… Where women and men – despite their
age – want to work, barriers in the form of discrimination, insufficient child care facilities or resistance against returnees must be overcome’ (ibi: 24).

In opposition, the CDA wrestled with its identity. According to a CDA politician, ‘the period after the massive defeat of 1994 had been a very useful period for reflection. This should not be the case since you should also make sure that the thinking process continues during a period of governmental responsibility’ (interview). Indeed, Jos van Gennip posed that ‘the opposition years represented an opportunity rather than a threat for the scientific institute’ (Van Gennip 1998: 204). According to Ab Klink, Van Gennip’s successor as director of the scientific institute, ‘the relationship between Enneus Heerma (CDA parliamentary leader from 1994 to 1997: author’s information) and Jos van Gennip, was pretty close since 1994. This resulted in an attempt by Heerma to put the family on the political agenda during that notorious debate in which he was laughed at by representatives of the purple coalition parties’ (interview). To be more precise, Heerma pleaded for a family minister in 1995. The reason why he met laughter was partly due to the fact that Christian democrats had had the possibility to create such a portfolio since 1918 and failed to do so, and partly since it was suspected to be a move in promoting traditional family values. Heerma responded to the resulting criticism by stressing that his party by no means wanted to return to the traditional family ideal. From his perspective, partners were equal in ‘modern families’ (interview with family policy expert).

Afterwards, Heerma established the working group ‘modern family policy’. The working group held an expert conference in which the chairwoman of the CDA’s women’s organization emphasized that the parliamentary group did too little to distribute care tasks more equally among men and women, and to stimulate female labor market participation (Hippe et al 1997: 34-5). Amongst other things, the working group decided that modern family policy required an expansion of child care. In a report published in January 1997, the CDA’s scientific institute further worked out the findings of the working group in order to stimulate policy proposals aimed at reconciling work and family life (CDA 1997). This was discussed at several regional conferences so that it could find its way to the 1998 party program (De Boer et al 1998: 30).

In the 1998 elections, the CDA lost four seats but psychologically this was a major blow as the purple coalition could continue with ease. In the words of a CDA politician, ‘the period between 1994 and 1998 had been the desert period of the CDA.
When we lost again in 1998 we said against each other: we have to renew our range of ideas if we want to take our responsibility again and obtain office. This resulted in a series of studies by the scientific institute entitled ‘Tired of waiting’ (interview), indicating the CDA’s hunger for government participation. Part of the series was a report labeled ‘The pressure of the kettle: Towards a life cycle arrangement for durable labor market participation, and time and money for education, care and private affairs’. The report was published in September 2001. It argued that people in the rush hour of their lives have difficulties in reconciling work and family. This has adverse consequences for both family income and female labor market participation. Therefore, the report promotes an individual savings scheme for parental leave, educational leave and flexible retirement. This was to be facilitated via tax advantages (CDA 2001). As to the three authors, Peter Cuyvers was a scientific employee at the Dutch Family Council, an independent advisory body on family policy. Guusje Dolsma currently is the secretary of VNO-NCW, the main Dutch employer federation after the VNO (Federation of Dutch Enterprises) had officially merged with the NCW (Christian Employer Federation) on December 31, 1996.

Last but not least, Ab Klink had been director of the scientific institute between 1999 and 2007. Klink was a personal friend of Jan Peter Balkenende. The two had been scientific employees at the CDA’s scientific institute. Amongst other things, they had worked on the 1993 program of principles which argued that reconciling work and family would be a key challenge for society. In September 2001, the CDA’s parliamentary fraction opted for Balkenende to become their leader as the former party leader and the party executive had resigned after a struggle over the candidacy list for the 2002 elections. This further reinforced the position of the scientific institute within the CDA. As Klink admitted in 2006, ‘the ties between the scientific bureau and the party have become very direct… Here, it also plays a role that Jan Peter and I happen to know each other for a long while’ (interview).

In the 2002 elections, the CDA rose from its deathbed, obtaining 27.9 percent of the votes and regaining its pivotal position. This left the PvdA and the VVD far behind. Undoubtedly the crucial aspect of the elections was the rapid rise of the right-wing populist List Pim Fortuyn (LPF). Only in late 2001, Fortuyn had announced his intention to run for parliament with his own party and he had consistently climbed in the polls. Whereas the purple coalition parties had no answer to Fortuyn’s reprimand that they had created a mess, the CDA could not receive blame this time and, unlike
the other major parties, clarified that it did not rule out a cabinet with the LPF. Elections were held nine days after Fortuyn’s assassination on May 6, contributing to the party’s rise as second largest party. In late May, Jan Peter Balkenende came to lead the CDA-LPF-VVD coalition.

The government aimed at implementing a life course arrangement. However, the eventual law was a very weak version of the proposal included in the CDA election program. According to a CDA-insider, ‘the CDA fully gave in to the scepticism within the VVD regarding the life course arrangement and came with a financially weak variant based on the already existing wage saving arrangement’ (interview). Furthermore, the CDA’s lengthy preparations in opposition could not prevent a short-lived term in office. Strives within the LPF caused the government to collapse within three months. This contributed to the LPF’s rapid fall in the elections of January 2003. The PvdA, by contrast, gained 19 seats and became the second largest party, just after the CDA. Accordingly, the CDA and the PvdA began government negotiations. To quote Frans Leijnse, the PvdA politician who investigated on behalf of the queen whether a CDA-PvdA cabinet would succeed, ‘we extremely fast reached an agreement with the CDA on life cycle policy. I wrote that piece of the concept government agreement myself… I can tell you that one of the reasons why the CDA agreed with my appointment was that they thought that I was among those within the PvdA who were highly in favor of this’ (interview).

According to a CDA-insider, ‘the change of power distributions within the CDA in opposition and the political situation in 2003 were crucial in developing policies aimed at reconciling work and family life. It was hardly noticed that the CDA had re-oriented from anti- towards pro-working women within a decade and was now close to the PvdA in family policy’ (interview). As Klink put it in 2006, ‘the concept of the male breadwinner is fully outdated for the CDA. We should stimulate female labor market participation and facilitate it as much as possible. In fact, female labor market participation has stood at the base of economic growth in the 1990s’ (interview). A fellow CDA-politician complements that ‘this is also the reason why economists like Lans Bovenberg got involved in further developing the life course proposal within the CDA. They see very sharply that a reorientation from the male breadwinner model towards the dual earner model implies that we have to spend less on women. Working women will contribute to GDP’ (interview). Furthermore, there is evidence of strategic use of the European Employment Strategy. According to a CDA politician, ‘the
European Employment Strategy helped to legitimize our call for policies aimed at reconciling work and family life’ (interview).

Despite the fact that negotiations between the CDA and PvdA failed due to diverging views on social security retrenchments, a more generous life course scheme was implemented by the CDA-VVD-D66 coalition that came to power in May 2003. Franse Leijnse poses that the CDA told the VVD during the subsequent negotiation ‘no, we really want to have that life course arrangement now. We could have had it with the PvdA and now we really want it’ (interview). Accordingly, the second bill on life course policy was drafted in September 2003. In parliament, the PvdA, Green Left and the Socialist Party proposed that those using the life course scheme for parental leave would be reimbursed 50 percent of the minimum wage, around 650 euros, for a period of six months. This received the support from the CDA’s parliamentary fraction, but not from the VVD and D66, and became law in 2004 (TK 25.11.04: 28-1854).

The re-orientation of the CDA towards a social democratic perspective on family policy is also visible in child care. In 2005, a CDA-insider claimed that ‘we used to have an ideological blockade anchored in a number of individuals. If powerful individuals swap you see changes coming. The current chairwoman of the CDA (chairwoman of the CDA women’s organization from 2001 to 2002: author’s information) is absolutely in favor of child care as a basic entitlement. Hence, the taboo on child care gets broken through. The CDA women’s movement has struggled to break through this taboo in previous years. The nice part is that the PvdA women’s movement has lost power, but within the CDA the women’s organization has actually initiated the breakthrough’ (interview).

Within government, social minister Aart Jan de Geus (CDA) rather than the minister of health, wellbeing and sports was responsible for child care policy between 2002 and 2007. This confirmed the role of child care as a labor market instrument (Plantenga 2007: 5). De Geus could build on a proposal from the previous PvdA under-minister of health. The proposal aimed to introduce more generous, income dependent public subsidies and to replace the complex set of funding arrangements for municipalities by subsidies for parents. In legitimizing the proposal the CDA spokeswoman on child care argued from an equal rights perspective that ‘an increase in labor market participation is heavily required the coming years. Good child care is
important in that respect, because it enables the combination of labor and care’ (TK 21.04.04: 69-4541).

In parliament, the proposal got broad support. In fact, only the State Reform Party fully opposed it. Here, we can still find a famialistic discourse. For instance, the party’s leader posed that he had ‘fundamental criticism on the proposal... From our perspective, the extensive individualization and emancipation within society also show up with respect to child care policy and bump up against the protection and care needed for a young child in the family’ (TK 21.04.04: 69-4504). Furthermore, just as during its participation in the purple coalition, the VVD managed to prevent the introduction of an obligatory employer contribution. However, the CDA successfully demanded that an evaluation of employers’ participation in 2006 could change this (TK 21.04.04: 69-4542). In addition, the CDA got parliamentary support for its proposal to fiscally compensate small employers when having child care expenses (TK 22.04.04: 70-4629). Moreover, in 2005 the government raised the budget for child care by nearly 200 million euros in order to lower parents’ contributions.

This is remarkable, since we have seen in the previous chapter that the government opted for several substantial welfare retrenchments in a fiscally austere climate. Notably, with respect to family policy, the cabinet lowered child allowances in 2004 – an instrument favored by the CDA at the expense of child care until the mid-1990s (Van Daalen 2005: 11). Still, the evaluation in spring 2006 demanded by the CDA made it clear that one third of the employees did not have (sufficient) access to child care due to a lack of employer contributions. Accordingly, all parliamentary parties, with the exception of the VVD and the State Reform Party, made employer contributions obligatory from January 2007 on (TK 08.02.06: 47-3103). Due to the introduction of this requirement, the government raised its budget for child care by 477 million euros in 2007. Furthermore, around 130 million euros extra were invested in child care in 2006 and in 2007 to lower parents’ contributions. Taken together, these expansions are massive and extended those of all previous Dutch governments. Between 2005 and 2008, public expenses on child care rose from 667 million to over 2.8 billion euros. The public share in child care financing rose from 42 percent in 2005 to 55 percent in 2008, employers’ contributions increased from 21 percent to 27 percent, but parents’ contributions on average declined from 37 percent to 18 percent while parents with minimum incomes now pay merely 4 percent (Commissie Kinderopvang 2009).
9.4 Conclusion

This chapter has explained a quite remarkable process of convergence of the CDA towards the PvdA’s family model once the party had returned to office in 2002. Until then, power resource theory did a good job in explaining the development of Dutch policy. Afterwards, we have seen that, against a background of secularization and women’s emancipation, government exclusion from 1994 to 2002 spurred a critical moment of reflection, that is, puzzling within the CDA. This had important consequences for the internal power distribution, considerably weakening politicians supporting the traditional family ideal at the expense of those oriented towards working mothers. Once the CDA returned to office in 2002, the re-orientation in family policy became visible in policies supporting employed motherhood.

Notably, during the campaign preceding the November 2006 elections, both the CDA and the PvdA expressed their intentions to expand arrangements supporting working mothers (CDA 2006: 10-1, 67-8; PvdA 2006: 4-5, 18-9). In February 2007, the CDA formed a coalition with the PvdA and a small confessional party, the Christian Union. The latter was a merger of the Reformed Political Association and the Reformational Political Federation. The party has familialistic orientations and perceives marriage between man and wife as the preferred form of cohabiting (cf. Christian Union 2006: 9). As demanded by the Christian Union’s leader, the government installed a family and youth minister for the first time in Dutch history (NRC 10.01.07; cf. Christian Union 2006: 10). The party leader himself obtained this portfolio. Since the intention of the CDA and the PvdA to expand child care policy could not be reconciled with his preferences, PvdA education under-minister Sharon Dijksma became responsible for child care (Plantenga 2007: 2).

Between 2007 and 2011, Dijksma sets aside € 2.4 billion extra to accommodate the growing use of child care places (Commissie Kinderopvang 2009: 43). Nonetheless, Wouter Bos, PvdA party leader and finance minister, expressed his concerns about the increasing public costs due to the previous government’s expansions in child care. The budget was to be exceeded with over 1 billion euros. Accordingly, Dijksma announced plans to retrench the popular measure, despite the fact that free child care for three days and cheap child care for lower income groups during the fourth and fifth day was a central proposal in the 2006 PVDA election program. Not surprisingly, especially the PvdA was blamed for the proposed cut
(NRC 14.05.08). Accordingly, the party plumped in the polls and internal divisions have once again risen to the foreground. Some embraced a return to traditional values and co-operation with the Socialist Party, while an under-minister would rather see the current course to be strengthened in a ‘progressive alliance’ with D66 and Green Left (NRC 31.05.08). As to the CDA, we have seen in the previous chapter that internal disagreements are off the agenda, with its firm, dominant role in office.
10 How Austrian Welfare Parties Enabled Pension Reforms

In contrast to Germany and the Netherlands, chapter five found that power resource theory sheds quite some light on pension reform in Austria until 2000. This chapter explores why this was the case and why the power resources approach lost much of its relevance since 2000. To do so, section 10.1 analyzes the period when the social democrats (SPÖ) were the dominant party in office. This was from 1983 to 1999. Section 10.2 studies the coalition between the Christian democrats (ÖVP) and the populist right wing party (FPÖ). Section 10.3 concludes.

10.1 Pension Politics until 2000: The Gradual Weakening of Traditionalists

One cannot say much about Austrian pension reforms if one neglects the role and involvement of the social partners. As a rule, the social partners negotiated proposals for pension reform before they were submitted to parliament by the social minister (Tálos and Kittel 2001; Schludi 2005: Ch. 7). This corporatist framework also includes so-called chambers, statutory bodies with compulsory membership: the Federal Economic Chamber (WKÖ) unifying independent entrepreneurs, the Chamber of Labor (BAK) representing the interests of employees, and the Chamber of Agriculture representing farmers (Schludi 2005: Ch. 7; Tálos 2006). Despite their formal independence, the ÖGB and the BAK are traditionally linked to the SPÖ, while the WKÖ and farmers have close relations with the ÖVP (Fink 2006; Karlhofer 2006; Krammer and Hovorka 2006). Moreover, the Christian democratic employees’ organization (ÖAAB) obtained a minority position in the Chamber of Labor and the ÖGB, but dominated the Union of Civil Servants (GÖD). As such, the GÖD has strong ties to the ÖVP (Pelinka 2005; Karlhofer 2006). Finally, the League of Austrian Industrialists (VÖI) represents the 2,000 largest employers in the industrial sector (Schulze and Schludi 2007: 563). Until the mid-1990s, it was not all that influential within the system of Austrian corporatism. Afterwards, it has increased its influence substantially through lobbying ÖVP and FPÖ politicians (Karlhofer and Tálos 2006: 106-7).
The unusual close linkages between the social partners and both the SPÖ and the ÖVP has resulted in a considerable overlap between the leaders and functionaries of these organizations. For one, the social ministry has been occupied by a high-ranking trade unionist throughout the postwar period. This would remain the case until 2000. Moreover, table 10.1 shows that several corporatist functionaries obtained a seat in parliament. In 1987, for instance, over 40 percent of SPÖ deputies were trade unionists and union representatives would have considerable veto power throughout the 1990s. As a consequence, we shall see that the nature of Austrian pension reforms under social democratic-led governments from 1983 to 1999 was very incremental. This was also facilitated by a fiscal situation which did not necessitate severe cuts until the mid-1990s, and a dominant position for social democrats in a party system which did not require such a strong move to the center as in the Netherlands.

Table 10.1 Share of corporatist functionaries in the Austrian Nationalrat, 1978-2000

<table>
<thead>
<tr>
<th></th>
<th>SPÖ</th>
<th>ÖVP</th>
<th>FPÖ</th>
<th>Total</th>
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<tr>
<td></td>
<td>abs.</td>
<td>percent</td>
<td>abs.</td>
<td>percent</td>
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<tr>
<td><strong>Trade unions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>42</td>
<td>45.3</td>
<td>13</td>
<td>16.3</td>
</tr>
<tr>
<td>1987</td>
<td>33</td>
<td>41.3</td>
<td>13</td>
<td>16.9</td>
</tr>
<tr>
<td>1991</td>
<td>30</td>
<td>37.5</td>
<td>7</td>
<td>11.7</td>
</tr>
<tr>
<td>1998</td>
<td>19</td>
<td>26.8</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td>2000</td>
<td>12</td>
<td>18.5</td>
<td>1</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Employers’ associations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>2</td>
<td>2.2</td>
<td>19</td>
<td>23.8</td>
</tr>
<tr>
<td>1987</td>
<td>1</td>
<td>1.3</td>
<td>15</td>
<td>19.5</td>
</tr>
<tr>
<td>1991</td>
<td>2</td>
<td>2.5</td>
<td>9</td>
<td>15.0</td>
</tr>
<tr>
<td>1998</td>
<td>1</td>
<td>1.4</td>
<td>6</td>
<td>11.5</td>
</tr>
<tr>
<td>2000</td>
<td>1</td>
<td>1.5</td>
<td>5</td>
<td>9.6</td>
</tr>
</tbody>
</table>

*Source*: Tálos and Kittel 2001: 73
Compared to their German and Dutch sister parties, Austrian social democrats did not face severe contextual challenges until the second half of the 1990s, though fiscal austerity and de-industrialization became constant themes by the mid-1980s. Unemployment rates were quite low, at an average of 3.3 percent in 1980-89 and 4.0 percent in 1990-98. In its turn, economic growth hovered around 1.9 percent in 1980-89 and 1.4 percent in 1990-97. Furthermore, levels of industrial employment gradually declined from 40 percent in 1980 to 32 percent in 1995. Accordingly, we have seen in chapter five that there were no major departures from social democratic core values during the period of rule by the SPÖ alone (1970-83). For instance, state-owned industry was a core pillar of the SPÖ’s traditional employment policy, home to the party’s most loyal electorate and Austria’s most unionized sector. Yet, strains on state-owned industry had gradually increased as of the late 1970s. Moreover, as pension cuts were off the table and some expansions were introduced, the government’s share in pension expenditure grew from 19.6 percent in 1980 to 29.1 percent in 1983 (Schulze and Schludi 2007: 572). In 1983, when the SPÖ lost its absolute majority, the party elite blamed austerity and strains on state-owned industry for this electoral result (Feigl-Heihs 2004: 168).

The SPÖ formed a government with the FPÖ and social minister Alfred Dallinger (SPÖ) established a commission to make proposals for pension reform (Schulze and Schludi 2007: 572). Until his tragic death in February 1989, Dallinger would simultaneously remain social minister, ÖGB vice-president and chairman of the largest union, the union for private sector employees (GPA). Above all, Dallinger was a traditionalist who defended the position of employees. This was exemplified by his demands to actively fight unemployment through labor hours reduction, an expansion of active labor market policies and an improvement in unemployment benefits (Tálos 1995).

Nonetheless, the government parties had agreed to implement a pension reform. This was due to the rapidly increasing government’s share in pension expenditure. Thus, the main goal was budgetary relief for the government (Schulze and Schludi 2007: 572). As such, the new finance minister, Franz Vranitzky, also played an important role. Vranitzky, a pragmatic politician with a banking background and no typical party career, was very much in favour of a retreat of
Austro-Keynesianism (Kitschelt 1994: 247; Feigl-Heihs 2004: 171). To quote Vranitzky, ‘Also in my own party, I and my social democratic supporters met little understanding when we pointed at the necessity to reduce government expenditure. Kreisky’s sentence that some billions of debts would cause him fewer sleepless nights than a few hundred unemployed was obviously so present in the heads of our fellow partisans that my opinion was considered unwise and politically damaging. Not just once did people tell me during discussions about public debts that I should take Bruno Kreisky (Chancellor in 1970-83: author’s information) as an example, since he had still implemented social democratic policies. Ferdinand Lacina (finance minister in 1986-95: author’s information) and Rudolf Streicher (economics minister in 1986-91: author’s information) often told me about similar experiences’ (Vranitzky 2004: 133).

In the spring of 1984, after negotiations with the social partners, the government presented a draft proposal for pension reform. The bill included an extension of the reference period from the last 5 to the last years of employment and the abolition of the basic minimum pension (Schulze and Schludi 2007: 575). However, people receiving a pension below a certain minimum would remain entitled to a pension supplement. Moreover, the less generous reference period was to be accompanied by a change from progressive to linear accumulation rates. Whereas accumulation rates originally favoured long work careers, each year of contribution was now to be credited equally, thus decreasing the incentive to continue working (Alber 1998: 15-6). Finally, the reform intended to implement new anti-accumulation rules for widow’s pensions.

Common interests across partisan stripes led SPÖ and FPÖ women to build an alliance with opposition ÖVP to oppose the abolition of the basic pension and the anti-accumulation rules for widows. Social minister Dallinger was able to silence criticisms from SPÖ women by refraining from cuts in widows’pensions. For the rest, the reform was a foregone conclusion, since the measures were supported by the unions and the ÖVP-dominated second Bundesrat lacked any veto power (Schulze and Schludi 2007: 575-6).
1986 was a turning point in Austrian political history. The FPÖ had been a relatively small protest party in Austria’s two-and-a-half-party system that was dominated by the SPÖ and the ÖVP. By 1973, a new generation of social-liberals had become dominant within the FPÖ and loyally supported the SPÖ once in government. This changed in 1986 when polls showed potential support at less than 2 percent and the right-wing populist Jörg Haider took over the party (Riedlsperger 1998: 29-32; Vranitzky 2004: 86-8). 1986 also was the year the pragmatic Franz Vranitzky had become Chancellor as the SPÖ seemed unfit to govern in the context of a deteriorating economy (Feigl-Heihs 2004: 170-1). Vranitzky called for an early election, in which the Haider-led FPÖ won nearly 10 percent of the vote (Riedlsperger 1998: 29; Vranitzky 2004: 136-59).

Vranitzky was very much in favour of a grand coalition and favoured policies that were compatible with this choice of partners, like privatizing state-owned industry (interview with Anton Pelinka; Feigl-Heihs 2004: 171). Possible resistance from trade unionists diminished due to bad polls before the 1986 elections and a good end result. It was obvious that the policy shift had accounted for much of this relative success (Kitschelt 1994: 245-7; Feigl-Heihs 2004: 175). Although Vranitzky became chancellor of the grand coalition, his predecessor Fred Sinowatz continued as party chairman and acted as a mediator between Vranitzky and sceptics within the party. In the meantime, Vranitzky won confidence within the SPÖ due to his popularity, electoral success, and his rejection of Haider’s FPÖ. By 1988, Vranitzky took over a more cohesive party and would be both chancellor and party chairman until 1997 (Feigl-Heihs 2004: 171).

From the start, Vranitzky preferred the economist Ferdinand Lacina (SPÖ) as finance minister who would be in office from 1986 until 1995. They seemed to understand one another well. To quote Vranitzky, ‘I often had divergent positions during my nearly monthly negotiations with the social democratic fraction of the ÖGB. The ally and author of many proposals, Ferdinand Lacina, stood even more in the front line than I… This would not be irrelevant when he decided to retreat from office several years later’ (Vranitzky 2004: 155-6).

As the trade unionist Dallinger (SPÖ) continued as social minister, we can now turn to the Christian democratic coalition partner. The ÖVP is an indirect party
with the Farmer’s League, the Business League (ÖWB) and the Workers’ and Employees’ League (ÖAAB) as its constituent units. These leagues operate very autonomously within the party. This is secured by their registration as independent organizations. Moreover, one has to become a member of either of the leagues to become a member of the ÖVP (Müller and Steininger 1994: 88; Müller 2006). The ÖVP probably is not only the most factionalized Western European party, but it has also been very federalized in the 1980s and the 1990s (Fallend 2005; Müller 2006). Unlike the relations between the leagues, there is no permanent conflict of interest between state party organizations and the national party organization (Müller and Steininger 1994: 89). Nonetheless, we shall see that when national pension politics moved in a more liberal direction after 2000, state politicians attempted to water down the reforms because of their fear of losing votes at the state level.

The power of the Farmers’ League and the Business League partly lies in dominating the Chamber of Agriculture and the Economic Chamber respectively. These positions provide them access to resources such as legitimacy, expertise and money. Instead, the ÖAAB is in a minority position vis-à-vis social democratic trade unionists in the ÖGB and the Chamber of Labor. Hence, the ÖAAB enjoys only very limited access to the resources of the ÖGB and the Chamber of Labor. Since Christian democratic unionists dominate the GÖD, civil servants are a key constituency of the ÖAAB (Müller and Steininger 1994: 89; Müller 2006: 351). Accordingly, cuts in social policy are risky in the sense that the ÖVP risks conflicts with its employees’ wing.

While none of the leagues controls the party, a specific league becomes the key one whenever the party leadership changes hands from one league to another (Laver and Schofield 1991: 218). As such, an overview of party leaders already provides us valuable insights in the changing dominant coalitions within the ÖVP. Between 1979 and 1989, the ÖAAB chairman had also been the party leader. Moreover, the ÖAAB became the biggest league in terms of membership in the mid-1960s, but membership rates have been declining since the early 1980s. In 1990, the ÖAAB constituted the biggest league with about 48 percent of the approximately 500,000 members. The Farmer’s League organized around 38 percent of the

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23 In addition to the three core groups, women, youth and elderly are also organized within the party. However, these are relatively small organizations and most of their members are also members of one of the leagues.
members and the Business League 13 percent (Müller and Steininger 1994: 88). In short, despite the fact that the Business League and the Farmer’s League to a larger extent dominated corporatist institutions than the ÖAAB, Christian democratic employees had a strong position within the ÖVP once the party entered office in 1986.

The 1987 Pension Reform

The grand coalition of SPÖ and ÖVP came to office with the ambition to enact radical economic reforms, including a pension reform (Schulze and Schludi 2007: 576). In the late 1980s (more than ten years after Germany or the Netherlands), nationalized industry was in dire straits. The ÖGB was publicly blamed for it and was unable to prevent a thorough privatization of state-owned industries. The frustrated workers in threat of losing their jobs became a core constituency of the FPÖ rather than the SPÖ, despite the fact that the social partners successfully demanded state funding and early pensions (Hemerijck et al. 2000: 201-2; Kittel 2000: 113-5). Moreover, the social partners responded to the government agreement by negotiating pension reforms. By late September 1987, social minister Dallinger proposed to an increase in the age-assessment base for pension calculation from 10 to 15 years, the abolition of pension credits for higher education and a 50 percent reduction in survivor’s pensions if this pension was above ATS 6,878 and the person draw a second income.

In response to criticisms from the unions, the rules for higher education were limited to university students. In addition, minister Dallinger appeased women’s groups of all parties by increasing the maximum allowed survivor’s pension to ATS 14,000. Though one might consider this a successful pension reform, the eventual measures outlined in table 10.2 did not consolidate the pension system, nor can they be seen as a large shift in principles (Schulze and Schludi 2007: 576-7).
<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in SPÖ</th>
<th>Role of traditionalists in ÖVP</th>
</tr>
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<tbody>
<tr>
<td>1984</td>
<td>- Abolish basic minimum pension</td>
<td>Very strong</td>
<td>Not relevant</td>
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<tr>
<td></td>
<td>- Gradually extend calculation basis from 5 to 10 best years</td>
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<td></td>
<td>- Decrease in annual pension adjustment by introducing unemployment into pension adjustment</td>
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<tr>
<td>1987</td>
<td>- Extend calculation basis from 10 to 15 years</td>
<td>Very strong</td>
<td>Quite strong</td>
</tr>
<tr>
<td></td>
<td>- Reduce pension credits for higher education</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>- Tighten eligibility for widows’ pensions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>- Extend benefits for older workers and workers in crisis regions</td>
<td>Very strong</td>
<td>Quite strong</td>
</tr>
<tr>
<td></td>
<td>- Expand voluntary pensions</td>
<td></td>
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<tr>
<td>1992</td>
<td>Retirement age for women to be aligned with those of men (phased in from 2018 to 2034)</td>
<td>Very strong</td>
<td>Quite strong</td>
</tr>
<tr>
<td>1993</td>
<td>- Change from gross wages to net wages net as basis for annual pension adjustment</td>
<td>Very strong</td>
<td>Quite strong</td>
</tr>
<tr>
<td></td>
<td>- Increase calculation basis to best 15 years</td>
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<tr>
<td></td>
<td>- Cuts in survivor pensions</td>
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<td></td>
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<tr>
<td></td>
<td>- Introduce early pension for reduced working ability</td>
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<td></td>
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<td></td>
<td>- Introduce partial pension for workers accepting shorter working hours</td>
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<tr>
<td></td>
<td>- Higher coefficient for those retiring later</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>- Introduction of pension credits for child care</td>
<td></td>
<td></td>
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<tr>
<td>1995</td>
<td>No notable retrenchments (despite proposals in the original savings package)</td>
<td>Very strong</td>
<td>Quite strong</td>
</tr>
<tr>
<td>1996</td>
<td>- Increase qualifying period for early retirement from 35 to 37.5 years (from 2001 on)</td>
<td>Quite strong</td>
<td>Moderate</td>
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<tr>
<td></td>
<td>- Introduce bonus-malus system for early pensions</td>
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<td></td>
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<tr>
<td></td>
<td>- Tighten eligibility criteria for disability pensions</td>
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<tr>
<td></td>
<td>- Reduce pension entitlements for people claiming more than one pension and for those having additional income from employment</td>
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<tr>
<td></td>
<td>- Years in higher education no longer automatically counted as insurance years</td>
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<tr>
<td></td>
<td>- General freeze of pensions for 1 year (2 years for civil servants)</td>
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<tr>
<td></td>
<td>- Lower civil servants pensions for those retiring before 60</td>
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</tbody>
</table>
1997 | For early retirees, number of “best years” on which benefits are computed increased from 15 to 18 years up to a maximum loss of 7 percent (to be phased in from 2003 to 2020)
- Introduce uniform accrual rate of 2 percent of the calculation base for each year of insurance (this effectively decreases the qualifying period for a full pension from 45 to 40 years)
- For each year of early retirement the above mentioned percentage is reduced by 2 percent up to a maximum of 10 percent (from 2000 on)
- Special support for older unemployed restricted to miners
- Higher contributions for self-employed and farmers
- Pension base for civil servants changed from last salary to 18 years for normal retirement (phased in from 2003 to 2020)
- Pension base for civil servants changed from last salary to 15 years for early retirement (phased in from 2003 to 2020)
- Annually adjust pensions for civil servants by applying a more generous adjustment factor of general pensions which rose from 1.75 percent to 2 percent
- Civil servants due to retire after 2020 will pay reduced pension contributions (from 2000 on)
- Extend coverage by including some forms of atypical employment into social insurance
- Introduce new form of part-time pension, requiring a shorter contribution period
- Relax criteria for taking up a part-time pension
- Financial incentives for employers to offer jobs for older workers
- Introduce educational leave
- Increase pension credits for child rearing | Quite strong | Moderate

Source: Own composition. Information on reforms derived from EIRO (1997); Ney (2004); Schludi (2005); Schulze and Schludi (2007).
Limited Expansion of Occupational Pensions in 1990

Alois Mock, the ÖVP chairman and ÖAAB chairman, was quite suddenly succeeded by the head of the farmer’s league in May 1989. The ÖVP was lagging behind the SPÖ in the polls and respondents mentioned the lack of visibility in government as the main reason (Vranitzky 2004: 204). In the meanwhile, Wolfgang Schüssel, the chairman of the ÖVP’s business league, had argued in favour of a retreat of the state since the 1980s (Schüssel 1983, 1985). Accordingly, the business league had put occupational pensions on the ÖVP agenda (Tálos 2004: 203). By 1989, the ÖAAB went along after a survey showed that a majority of workers in general and civil servants in particular favored an expansion of occupational pensions. A delegation of ÖVP politicians led by a representative of the business league started to negotiate with the SPÖ. Whereas SPÖ finance minister Lacina was convinced about the necessity to expand occupational pensions, scepticism within the SPÖ remained large as these arrangements might reduce the role of public pensions (Ofner 1990: 633-44).

In this sense, history repeated itself in three ways. First, one of Lacina’s predecessors and fellow SPÖ partisans had stood at the base of Austria’s first and rather marginal legislation on occupational pensions (ibid: 634). Second, both were representatives of a pragmatic wing who would eventually retreat from office after internal disagreements with more traditionalist politicians (Wysocki 1995: 45). Third, the proposals by both finance ministers were watered down by fellow partisans (Ofner 1990: 634). Accordingly, the legislation of May 1990 was a compromise with weak tax incentives to stimulate occupational pensions. This is translated in a low coverage rate. By the late 1990s, only 5 percent of the economically active population contributed to occupational pensions (Linnerooth-Bayer 2001: 18).

The 1993 Pension Reform

History also repeated itself within the ÖVP. The party experienced another leadership turnover after unsatisfying election results (a decline from 41 percent in 1986 to 32 percent in October 1990). On the one hand, the party was held responsible for unpopular retrenchments. On the other, it was unable to claim credits for some welfare expansion as a junior partner. The party was losing its own identity (Fallend 2005: 198). Obviously, it did not help that the number of the party’s core constituents
Catholic churchgoers - shrank very gradually (see chapter 4). In response to these electoral challenges, a former head of the business league managed to become the political leader by 56.4 percent of the vote at a party congress in June 1991. The meagre result was due to the fact that the party was heavily divided between ‘economic liberal forces’, notably the Business League and the party’s youth organization, who proposed Erhard Busek and ‘social Catholicists’, notably the ÖAAB and elderly Catholicists, who put forward their own candidate (Pelinka 2003: 121-2). As a response to internal divisiveness, the position of the party leader was considerably strengthened by a 1991 reform of the party statute (Fallend 2005: 198).

These developments contributed to a weakening of traditionalist politicians, but still did not have a large impact on pension reforms. This was because the trade unions still had various access channels within parliament and the social ministry. Moreover, the fiscal situation did not necessitate drastic savings in the early 1990s. While pension reforms were already being discussed amongst the social partners (interview with ÖVP politician), social minister Hesoun (SPÖ) - simultaneously ÖGB vice-president – first responded to a December 1990s ruling of the Constitutional Court. Different retirement ages for men and women were unconstitutional, and bound the government to act upon this by 31 December 1992 (Schulze and Schludi 2007: 578). However, female politicians within the SPÖ and the ÖVP were able to postpone the equalization of retirement ages (interviews with SPÖ politicians). It was to be phased in gradually between 2018 and 2034.

After this reform had passed, the government parties agreed on further pension reforms in December 1992. The bill developed by social minister Hesoun included several uncontroversial expansions like the introduction of early retirement due to reduced working capability, a partial pension for those working longer (cf. ÖVP 1990: 10-11) and child-raising credits (cf. SPÖ 1990: 17; ÖVP 1990: 11). In addition, the basis for annual pension indexation was to be changed from gross wages to net wages. Finally, the SPÖ demanded a private/public sector harmonization (SPÖ 1990: 10, 17). This goal was to be met by calculating pension benefits using the best 15 years instead of the final 15 years. The effect of this regulation would either be neutral or beneficial for workers and civil servants.

Nonetheless, negotiations with the trade unions were difficult. Private sector unions would only accept the proposal if net wage adjustment was also applied to public sector pensions. The GÖD opposed this and threatened with strikes. In late
February 1993, after the parliamentary negotiations had already started, the government cancelled net-wage indexation for civil servants in a concession to the GÖD. Instead a different regulation was introduced. This ensured that representatives of the unions and the government would calculate the adjustment rate in the private sector if the adjustment rate in the public sector was larger. Hence, policy concessions had been necessary to avoid parliamentary blockage from union-representatives (Schulze and Schludi 2007: 578-80).

Failed Retrenchments in 1995

Before the elections of October 1994, the SPÖ had issued a program that was remarkably silent on pension reform (SPÖ 1994). Instead, the ÖVP manifesto repeatedly mentioned ‘Erhard Busek’s stability plan’. Amongst other things, this plan envisioned to increase the factual retirement age and to expand private pensions (ÖVP 1994: 43-4). The grand coalition continued as intended (Vranitzky 2004: 215), though the FPÖ increased its vote share by almost 6 percent upto over 22 percent at the expense of the SPÖ and the ÖVP. The re-elected government was under pressure to adopt a tight fiscal policy, since the budget deficit had increased from 2 percent of GDP in 1992 to 5 percent in 1994. At the same time, Austria’s aspirations to join the EMU necessitated a quick reduction of the public deficit. Against this background, the government in general and finance minister Lacina (SPÖ) and chancellor Vranitzky (SPÖ) in particular worked out a retrenchment package without the usual prior consultation of the social partners (interviews). To the regret of one trade unionist, the social minister was not all that involved. ‘Hesoun was social minister. He would certainly have largely met the demands of the social partners’ (interview).

For the public sector, finance minister Lacina proposed to introduce a reference period of five years as the calculation base for civil servants’ pensions, instead of basing them on the final wage. Not surprisingly, the GÖD-president (also ÖVP MP) rejected this measure. The reforms also met some demands of the ÖVP business wing as the package included up to 15 percent actuarial deductions for early retirement. Both the ÖGB and social minister Hesoun opposed these penalties. Hesoun refused to cut private sector pensions if public sector pensions were left

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unharmed. Moreover, the chairman of both the Metal Workers Union and the SPÖ trade union fraction quit the SPÖ bargaining committee in protest against the envisioned cuts. In addition, the FPÖ vehemently attacked the proposed retrenchments as it attempted to benefit electorally from the issue of pension cuts. However, chancellor Vranitzky was determined to push through the retrenchments against all opposition, including the unions if necessary.

Eventually, Vranitzky and Lacina proved unable to withstand the political resistance from the trade unions, especially when some unionist parliamentary members threatened to vote against the bill. Given the large number of unionists in parliament, most notably within the SPÖ (see table 10.1), the threat potential was strong. In order to obtain the unions’ support, the government softened the retrenchment package and completely withdrew the planned cuts in early pensions. In negotiations with the government, the GÖD managed to maintain the final wage assessment base but agreed on an increase in public sector contributions from 10.25 percent to 11.75 percent, and a 5 year extension of the insurance period for pension eligibility. Shortly afterwards, finance minister Lacina announced his resignation in response to intra-party conflicts and unsuccessful negotiations with the unions. Hesoun and two other SPÖ ministers followed suit –showing the growing disagreements within the party. Once the retrenchment package was agreed upon in parliament, it should be considered a failure. Although it did pass on 5 April 1995, it included none of the cuts originally proposed and the overall savings volume turned out to be some 80 percent lower.

*Successful Retrenchments in 1996*

In response to the 1994 electoral losses, Alois Mock and the ÖAAB chairman pleaded in favour of Busek’s retirement as ÖVP party leader. Busek’s only strength seemed to be the weakness of his opponents: They did not have an attractive candidate. Who would be the (new) party leader was to be decided at a special meeting of the ÖVP party executive on 17 April 1995. In a surprise move, the chairman of the business league suggested Wolfgang Schüssel, his predecessor who was economics minister by then. Schüssel would appeal to urban-liberal voters, was the only one who countered Haider successfully in a television debate, and was the most popular minister
according to the polls. This persuaded the majority within the executive (but not the ÖAAB) and Schüssel’s candidacy was secured (Pelinka 2003: 122-28).

Peter Pelinka describes Schüssel as an ‘economic liberal’ who remained ideologically attached to his central publications of the early 1980s: *Mehr Privat, weniger Staat* (More private, less state) and *Staat lass nach* (State decline). In 1999, for instance, Schüssel wrote that these two publications ‘are valid as before… I want a state that thinks from an employer perspective in fulfilling its tasks, retrenches many benefits, operates more efficiently and costs less, and is a lighter burden on the economy and free entrepreneurship’ (Schüssel 1999 in Pelinka 2003: 193).

Schüssel intended to make the ÖVP the dominant coalition party. Indeed, surveys showed increasing support for Schüssel and the ÖVP in the summer of 1995. In September 1995 most respondents trusted the ÖVP to do a better job of consolidating public finances and enacting retrenchment (Schulze and Schludi 2007: 582). What came to be known as the ‘Schüssel-Ditz course’ (Ditz was the ÖVP economics minister) implied budget consolidation through structural welfare reform and reduced expenditure such as through deductions for early retirement (DP 31.10.1995). In principle, Vranitzky had the same opinion on budgetary issues as Schüssel, but he was struck by Schüssel’s ultimative threats that the ÖVP was not unconditionally committed to a grand coalition (Vranitzky 2004: 218). However, most within the SPÖ and the ÖGB favored budget consolidation by revenue-increasing reforms, like raising pension contributions (Schulze and Schludi 2007: 582). Since the chairman of the Economic Chamber (also ÖVP-MP) supported the Schüssel-Ditz course, the social partners drifted further apart (Vranitzky 2004: 219).

In October, a wing around Schüssel, Ditz and the chairman of the Economic Chamber rejected the proposal of the SPÖ Finance Minister (DP 07.10.1995; Vranitzky 2004: 218-20). This was tantamount to a coalition break-up, and indeed a strategic call for early elections (DP 20.09.1995; Schulze and Schludi 2007: 171). New elections were planned for 17 December 1995. In a context of increasing austerity, secularization and de-industrialization, polls found that 44 percent of the electorate was undecided two months before the elections (Schulze and Schludi 2007: 582-3). In this context of uncertainty, Vranitzky mailed thousands of letters to elderly promising that their pensions were safe under the SPÖ (DP 12.12.1995). By contrast, Schüssel once again stressed the problematic situation in the field of pensions (DP 23.11.1995). Moreover, the SPÖ used the ÖVP’s lack of commitment to a specific
coalition to campaign against a government with Haider. In the end, the ÖVP’s strategy did not pay off: it won just one seat (Schulze and Schludi 2007: 583).

The ÖVP’s prerequisite for continuing the grand coalition was to include the main budgetary features for the years 1996 and 1997 in the coalition agreement (ibid). The 1995 savings package proved to be largely ineffective and official forecasts by the government pointed at a deficit of about 8 percent of GDP in 1997 without further fiscal measures. This time, however, the social partners were continuously informed and consulted by their respective allies within the partisan arena (interview with trade unionist; Schludi 2005: 170-3). At the same time, the ÖAAB’s position continued to weaken as GÖD president Fritz Neugebauer was the only Christian democratic unionist in the Nationalrat in 1996. Moreover, membership rates declined from about 250,000 in 1990 to just over 200,000 in 1994 (Müller 1997: 271). Last but not least, the ÖAAB was internally divided. A group of 30 persons aged between 25 and 30 led by the ÖAAB vice-chairman argued that ‘socialist welfare policy is bankrupt’. In order to secure generational equity and to the regret of the GÖD, the final wage assessment base of civil servants’ pensions was to be abandoned (DP 08.01.1996).

In February 1996, the program negotiated by the ÖVP and the new finance minister Victor Klima (SPÖ) was agreed upon by the social partners (Vranitzky 2004: 223). The ÖGB and most within the SPÖ gave in to earlier demands from Schüssel and the Economic Chamber, agreeing to tighter requirements for early pensions and also accepting expenditure reducing measures instead of revenue-generating ones. For instance, the period for early retirement was to be increased from 35 to 37.5 years. Moreover, a bonus-malus system for early pensions was to be introduced (DP 31.10.1995; DP 09.12.1995; Schludi 2005: 171-2). The ÖVP agreed to an increase of pension contributions for farmers and the self-employed. Moreover, the ÖVP was incapable to achieve a more comprehensive pension reform and had to accept some delays before some cuts would become fully effective (Schludi 2005: 172-3).

As the social partners were much more involved than in 1995, the proposals were adopted largely unaltered by the government parties in parliament. Again, the FPÖ vehemently criticized the measures (ibid: 173).
How Trade Unionists Still Managed to Soften Retrenchments in 1997

The 1996 reform – which cut key benefits for workers – had a negative impact on the SPÖ in the polls and state elections in Vienna (Schulze and Schludi 2007: 584). In response, Chancellor Vranitzky resigned from office. He appointed his long favored successor, finance minister Victor Klima, in January 1997 (Vranitzky 2004: 379). Like Vranitzky, Klima was a pragmatic politician with a background in finance and no typical party career (Ucakar 2006: 236). In pension policy, Klima announced gradual harmonization and the extension of reference periods without informing and consulting the social partners (interview with trade unionist). To that end, the government asked the German pension expert Bert Rürup to make suggestions for a structural pension reform. This limited the role of pension experts associated with the social partners already at the stage of problem definition (Schludi 2005: 174).

Discussions on the Rürup report, which dealt with public pensions only, started after a secret government meeting in June 1997 (again without informing and consulting the social partners). The intended reforms were more moderate than Rürup’s report, but needed to be adopted in 1997 (Schulze and Schludi 2007: 584). The main proposals were to:

- increase the reference salary from the best 15 to the best 20 years from 2000 to 2012
- change the reference salary for civil servants pensions from final wage to last 15 years
- introduce a demographic factor
- cut pension levels for those retiring early by 2 percent per year (upto 15 percent)
- extend pension insurance coverage

Apart from the last issue, the proposal was fiercely opposed by trade unions (DP 13.06.1997). Especially the GÖD was furious, since the last salary as calculation base was the ‘sacred cow’ of civil servants’ pension principles (Schulze and Schludi 2007: 585). Once again, other trade unions and social minister Eleonora Hostasch (SPÖ), president of the Labor Chamber and ÖGB vice-president before she came to office, favored revenue-generating measures rather than expenditure-reducing ones (DP 04.07.1997). Moreover, they again demanded reforms of public sector pensions as prerequisites for any cuts in the private sector. Nonetheless, the private sector unions
backed the GÖD’s protests in order to count on the resistance of the civil servants and thereby prevent major reforms in the private sector (Schulze and Schludi 2007: 585).

The ÖVP also encountered disagreements within its own ranks. The ÖAAB chairman and most ÖAAB members distanced themselves from the ÖVP’s business wing and the party’s youth organization as they opposed public/private harmonization and cuts in early pensions (DP 05.07.1997; DP 24.07.1997). There was also intra-party conflict within the SPÖ. Trade unionists, state representatives and the leader of the youth organization refused to agree with the extension of the reference period. The SPÖ pensioners’ organization even threatened to defect to the FPÖ, whereas unionist threatened to launch a no-confidence vote against chancellor Klima. Unionists also informed the government that union-members would block the reform during a parliamentary vote if Klima proceeded with unilateral pension reforms (Schludi 2005: 176; Schulze and Schludi 2007: 585).

All this threat potential was very credible, given the large number of unionists within the SPÖ fraction (see table 10.1) and the fact that 27 out of the 52 ÖVP parliamentarians were ÖAAB deputies (DP 05.11.1997). Moreover, defeat of the bill in parliament would lead to the government’s resignation and early elections (Schulze and Schludi 2007: 585). To the regret of Schüssel and the ÖVP business wing, social minister Hostasch withdrew the plan to extend the reference period for standard retirement and introduced educational leave (DP 20.09.97). This became part of a new proposal presented by the social minister on 9 October 1997. In addition, the increased reference period for early retirement would be fully effective around 2019 instead of 2012. Finally, the introduction of the demographic factor was abolished. The social minister also suggested several expansions like increasing the adjustment factor at a more generous level than before (2 percent instead of 1.75 percent). Consequently, a full pension of 80 percent could be drawn after 40 rather than 45 years (Schludi 2005: 176).

Despite these concessions, the unions and many within the ÖAAB remained highly critical about the reforms. Several thousands of ÖAAB members threatened to resign and warned their organization’s chairman that his position was at stake if further concessions were not being made in parliament (DP 24.10.1997; DP 25.10.1997). After a session between the social partners, Klima and Schüssel, the government agreed to gradually phase in both a common 18-year reference period for
early retirement and a common reference period of 15 years for old age pensions between 2003 and 2020 (Schulze and Schludi 2007: 586).

To give government and unions more time to reach an agreement, the parliamentary sessions of October 23 were interrupted and postponed to November 3 (ibid). At the same time, the chairman of the Economic Chamber (ÖVP) left the bargaining table by noting that his organization was ‘not prepared to further water down the reforms’ (DP 25.10.1997). In response to the GÖD and the ÖAAB, child-raising credits and disability pensions for civil servants were improved. Moreover, pension losses caused by the 15-year reference period for civil servants were limited to 1 percent for pensions below ATS 10,000 and to a maximum of 7 percent for pensions up to ATS 28,000 (DP 04.11.1997). Simultaneously, other unionists demanded and received a loss limit in the private sector (DP 05.11.1997).

In short, despite the efforts of pragmatic leaders within both the SPÖ (Klima) and the ÖVP (Schüssel), the 1997 reform was softened considerably due to opposition from fellow partisans in the trade unions. Rurüp calculated that the reform achieved no more than 3 percent savings, in comparison to the 20 percent that he had considered necessary in his report. Moreover, these calculations ignored the extension of the state pension scheme to the entire employed population. This could make pensions even more expensive in the future (Schludi 2005: 177). However, ‘if Schüssel had not ranted and raved at the GÖD, we would not have seen a reform at all’ (interview with social minister Hostasch).

10.2 Pension Politics after 2000: How a Change in Government Implied a Stronger Orientation towards Liberalism

In the elections of October 1999, the SPÖ and the ÖVP witnessed their lowest results ever. Though the SPÖ still remained the largest party, the FPÖ surpassed the ÖVP by a margin of just 415 votes nationwide. According to Plasser and Ulram, contextual challenges like austerity, de-industrialization and secularization help to explain these results. However, the FPÖ was also highly successful in attracting conservative Catholics and blue-collar workers who were frustrated with, respectively, the lack of attention for traditional family values and the “little man on the street” (Plasser and Ulram 2000). Paradoxically, the 1999 electoral defeat enabled the ÖVP to become the pivotal party as it could choose its coalition partner.
The ÖVP’s office-seeking ambitions clearly prevailed over vote-seeking goals. Despite Wolfgang Schüssel’s threats that the ÖVP would resign to the opposition benches if it became the third party, the ÖVP, albeit secretly, entered coalition negotiations with both the SPÖ and the FPÖ. There were several topics on which the SPÖ and the ÖVP disagreed. Most notably, and in line with the demands of the ÖVP business wing, Wolfgang Schüssel demanded to consolidate the budget through an increase of the early retirement age by 2003 and the gradual privatization of pensions (DP 06.12.99; DP 13.01.00). Though Victor Klima was willing to accept this more liberal course, opposition from more traditional and trade-union oriented social democrats had already prevented him from embracing this in the SPÖ election manifesto (DP 29.09.99). As such, it was no surprise that the final negotiations with the ÖVP failed on 20 January 2000, since Klima was unable to guarantee the consent of parliamentary unionists (DS 20.01.00). As one trade unionist put it, ‘we simply could not support the ÖVP’s neoliberal profile in pension politics’ (interview).

The demands in social policy seemed a deliberate attempt by a majority within the ÖVP to force a coalition with the FPÖ (DP 13.01.00; Luther 2003; Müller 2004). In fact, only the GÖD, the ÖAAB and state governors of ÖAAB strongholds preferred the SPÖ over the FPÖ (DP 15.01.00). Secret negotiations with the FPÖ had already taken place before SPÖ unionists refused further pension cuts. The quick formation of the SPÖ-ÖVP coalition – within a week – seems testimony of these talks.

When the new government took office on February 4, the economy was performing quite well – at least in comparison to most Western European countries. Unemployment had declined from about 4.4 percent in 1996 to 3.9 percent in 1999 (Hamann and Kelly 2007: 984). Moreover, the deficit had declined from a peak of 5.2 percent of GDP in 1995 to somewhat over 2 percent in 1999. Pressed by the Stability and Growth Pact, the government was determined to balance the budget. By the same token, the new government was more strongly oriented towards market-liberal ideas than its predecessor (Schludi 2005: 178). In pension politics, the election programs of both parties embraced a three-pillar model and cuts in early pensions (FPÖ 1999; ÖVP 1999). Furthermore, a survey showed that most ÖVP and FPÖ parliamentarians had rather market-liberal policy preferences between 1996 and 1999, while most within the SPÖ had traditionalist preferences (Müller and Jenny 2000). As such, the FPÖ’s earlier attacks on welfare retrenchments implemented by the previous
governments can be interpreted as an opportunistic move to attract disappointed SPÖ and ÖVP voters (Schludi 2005: 178).

In his investiture speech, the new chancellor Wolfgang Schüssel (ÖVP) stressed several market-liberal policy principles like self-responsibility, more market and flexibilization (Schüssel 2002). These can also be found in his earlier publications (compare Hawlik and Schüssel 1983, 1985). In pension policy, Schüssel announced additional occupational and voluntary provisions, and several retrenching measures within the existing public pension schemes. These market-liberal measures were justified by the low ages of factual retirement (Schüssel 2002).

The implementation of such measures was greatly facilitated by the fact that the new government was less dependent on union’s institutional support than its predecessor. This was partly due to the much smaller number of trade unionists in the government parties (see table 10.1). In addition, the SPÖ had obtained the social ministry over the last 30 years and ‘it was controlled by the ÖGB. The ÖGB also determined who would become social minister’ (interview with trade unionist). By contrast, an inexperienced former handicraft teacher (FPÖ) – who had only been a party member since 1997 - took office now (Luther 2006a: 28). To the regret of the former social minister (SPÖ, ÖGB), the competencies for labor market policy were handed from the social ministry to the newly created economics and labor ministry (PK 09.02.00: No. 62). This was occupied by the former family minister, Martin Bartenstein (ÖVP). According to a business representative, the government’s composition had a large impact on pension reform. ‘The chancellor and the economics minister are both members of the Business League, Schüssel had even been its chairman, and one cannot completely hide where one is coming from. By contrast, trade unionists were not represented in government’ (interview).

Last but not least, the bourgeois Karl-Heinz Grasser (FPÖ) became finance minister. He and Schüssel understood one another well according to a high-ranking ÖVP politician (DP 03.05.06). To quote Grasser, ‘we stand for a liberal and fair market economy’ and ‘accordingly see the solution of many of our country’s problems in less state dirigism and more market and private initiatives’ (in Obinger and Tálos 2006: 26). ‘Though the economy is booming, the state is now in dire need of restructuring’ (in Obinger 2002: 57).
Down the Road to Liberalism: Pragmatists on the Driving Seat

The ÖVP-FPÖ governments greatly increased the tempo and severity of pension retrenchment and restructuring (see table 10.3), although opposition from the ÖAAB and the FPÖ slowed these efforts. Pragmatists like Wolfgang Schüssel, Martin Bartenstein and the president of the Economic Chamber (also MP and ÖVP Business League chairman) were all members of the ÖVP negotiation team on pensions during the coalition talks. The ÖAAB with its traditionalist policy preferences was only represented by its general secretary. Against the vehement resistance of the FPÖ and the ÖAAB chairman, the ÖVP negotiation team intended to increase the early retirement age by two years for all employees (DP 28-29.01.00).

In April 2000, the government presented the core features of its pension reform. The measures included an increase in early retirement ages of 18 months for all, larger penalties for early retirement for all, cuts in survivor’s pensions and the abolishment of disability pensions. Moreover, the government proposed to follow net wages in adjusting civil servants’ pensions and to increase pension contributions for civil servants by 0.8 percent (Schulze and Schludi 2007: 588). All of which was to take effect as early as October 1st – though both the FPÖ and the ÖAAB opposed such speed (DP 01.04.00; DP 25.05.00). Moreover, the ÖAAB would only support the reform in parliament if the government introduced a partial retirement scheme and extended training benefits for elderly unemployed (DP 05.04.00; DP 25.04.00). Finally, opposition parties and unions rejected the proposal (Schludi 2005: 178).

On April 7, the government initiated negotiations with the social partners, but it seemed unwilling to make any significant concessions. Within a week, the first protest actions in the public sector took place. Although the negotiations with the GÖD had started on April 19, the government already issued a new proposal on April 24. The ÖGB also launched various protest actions with the support of Christian democratic unionists, including a protest day on May 16. In late May, the negotiations between the GÖD chairman (also ÖVP MP) and the social minister (FPÖ) broke down. By the time the government submitted the bill to the National Rat on May 30, the Economic Chamber was the only interest group to support the proposal. The only part it did not welcome consisted of various employability measures for the elderly, including a partial pension and training benefits (Tálos and Kittel 2001: 90-1; Schulze and Schludi 2007: 588). These were in line with the ÖAAB demands.
For the rest, the parliamentary bill included more or less the same measures as the April proposal (Schulze and Schludi 2007: 589). The ÖGB could no longer rely on a large number of trade union representatives in government parties. Therefore, it had continuously pressed the ÖAAB to join forces with the ÖGB on pension reform. Eventually, it called upon all 24 ÖAAB parliamentarians to vote against the reform. The government parties would not have had a majority if this happened. However, all except one ÖAAB deputy voted in favor of the bill after the government had made a number of small concessions. For instance, men with 45 contribution years and women with 40 contribution years were exempted from the increase in the early retirement age during a five-year transitional period (Schludi 2005: 179). In addition, civil servants received similar child-rasing credits as in the public pension scheme. However, the pragmatic economics minister Bartenstein (ÖVP) ensured that the key principles of the reform would be maintained (DP 06.07.00).

Accordingly, only half a year after taking office, the ÖVP-FPÖ coalition had passed a pension reform that ‘brought much more significant retrenchment with shorter transition periods, than had any previous reform’ (Schulze and Schludi: 589). The ÖVP had now been free to ignore at least the SPÖ-affiliated unions. Moreover, as a consequence of EU sanctions against Austria, the issue of pension cuts was less salient in public debates than it would have been otherwise (ibid). According to interview respondents, frustration about the sanctions also weakened the attention of Austrian policy-makers for the so-called Open Method of Co-ordination.

Last but not least, the social minister had a difficult portfolio and was being outmanoeuvred by experienced ÖVP politicians like Schüssel and Bartenstein. Being highly unsuccessfull in putting populist welfare measures on the government’s agenda, she left her office after it became clearer and clearer that even politicians within her own party, notably Jörg Haider, questioned her capabilities. On October 21, both the FPÖ party leader and the leader of the parliamentary fraction insisted on her retreat. She was then replaced by Herbert Haupt, a former veterinary surgeon and a Haider loyalist (Böhm and Lahondynsky 2001: 143-4).
Table 10.3 Main pension reforms under ÖVP-FPÖ/BZÖ governments, 2000-2006

<table>
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<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in ÖVP</th>
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| 2000 | - Increase the general minimum early retirement age from 55 to 56.5 years for women and 60 to 61.5 for men, and the retirement age of civil servants from 60 to 61.5 (all within 18 months)  
- Bonus and malus for early pensions increased (from 2 percent to 3 percent per year upto a maximum of 15 percent)  
- Reduce survivor’s pensions (old benefit levels from 40 percent to 60 percent; now between 0 percent and 60 percent)  
- Abolish disability pensions  
- Extend unemployment benefits for people aged over 45 who participate in training until 31 December 2003  
- Increase financial assistance to people who find themselves in a situation of hardship due to the earlier retirement age for a five-year transitional period  
- Introduce partial retirement scheme | Moderate |
| 2002 | - Extend severance pay to all private sector employees  
- Oblige employers to pay 1.5 percent of workers’ wage to a central fund  
- Tax incentives if employers invest these payments in a pension fund | Moderate |
| 2003 | - Reduce pension calculation coefficient from 2 percent per pension year to 1.78 percent (phased in over 5 years). This increases the period to receive a full pension from 40 to 45 years.  
- Pension adjustment according to prices for 2003 and 2004  
- Increase of calculation basis from 15 to 40 years (phased in over a 25 year period)  
- Increase bonus and malus for early pensions from 3 to 4.2 percent up to a maximum of 15 percent  
- Gradually abolish early retirement based on a long social insurance record of at least 35 contribution years or 37.5 insurance years (from 2004 to 2017)  
- Abolish early retirement based on unemployment from 2004 on; replaced by less generous unemployment benefit  
- Introduce subsidy encouraging take up of voluntary pensions  
- Extend child rearing pension credits from 18 to 24 months  
- Workers with long contribution histories (40 to 45 contribution years) or workers that operate in a physically abrasive work environment are still able to retire early  
- Introduction of a so-called means-tested ‘hardship fund’ for workers with pensions lower than EUR 1000 per month who have paid into the system for at least 30 years  
- Limit old age pension cuts for each individual to 3.5 percent until 2007, 7 percent until 2015 and 10 percent until 2027 | Moderate |
Apart from retrenching public pensions, the ÖVP-FPÖ coalition also took other steps in a market-liberal direction. To the regret of various experts and trade unionists, retrenchments soon spilled over to other social insurance areas without expanding benefits for those in atypical employment or promoting active labor market policies (Mazal 2000; DP 23.09.00; Obinger and Tálos 2006). Another example of the liberal policy direction involves the expansion of occupational pensions. In July 2002, the ÖVP-FPÖ government introduced and fiscally stimulated the possibility of using severance payments to fund occupational pensions as a supplement to public pensions (see table 10.3).

Interestingly, the severance pay reform was one of the few examples of a continuation of corporatist policy-making. The reason is that the coalition parties disagreed how to promote occupational pensions. Against this background, the government delegated the drafting of a new severance scheme to the social partners. In line with the unions’ demands, virtually all employees rather than the 15 percent in stable employment relationships would now be covered by severance pay. However, as a concession to the employers, the individual amount of severance paid benefits is considerably lower than under the previous law. The government accepted the social partners’ proposal without major modifications (Schludi 2005: 181-2; Obinger and Tálos 2006: 91-2). In the parliamentary debate, economics minister Bartenstein, who had been responsible for drafting the bill, euphorically labeled it a ‘reform of the

<table>
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<th>2004</th>
<th>Moderate</th>
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<tr>
<td>- Gradually create a uniform pension system by 2033</td>
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<td>- Gradually increase retirement age to 65 by 2033</td>
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<td>- Annually adjust pensions based on inflation instead of net wages</td>
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<td>- Introduce ‘sustainability factor’ into the pension formula adjusting benefits according to developments in life-expectancy</td>
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<td>- Raise contributions for self-employed and farmers to 17.5 percent and 15 percent, respectively</td>
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<td>- Introduce voluntary pension accounts</td>
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<td>- Increase child raising credits from €640 to €1340</td>
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<td>- Permanent exception for hard and dangerous manual labor restricted to maximum of 5 percent of the working population</td>
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<tr>
<td>- Extend exception for workers with long contribution histories (40 to 45 years) until 2010</td>
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<td>- Limit pension cuts for each individual to 5 percent (gradually adjusted to 10 percent by 2024)</td>
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Source: Own composition. Information on reforms derived from EIRO (2000); Ney (2004); Schludi (2005); Schulze and Schludi (2007).
century’. Finance Minister Grasser (FPÖ) stressed that it was a ‘revolutionary step’ by introducing a second pension pillar (in Obinger and Tálos 2006: 92).

Continuing the Road to Liberalism: The Second ÖVP-FPÖ Government

The austerity measures substantially hit the governing parties’ constituents. It was a deep fear of an electoral backlash that led Jörg Haider to pull the plug on the coalition in early autumn 2002. From his Carinthian bastion, he openly obstructed the government’s austerity route and minister Grasser’s priority of a balanced budget. Having staged an internal coup at an extraordinary party session, three FPÖ ministers quit he government, including Grasser. This led to the collapse of the ÖVP-FPÖ coalition and the call for new elections (Obinger 2002: 61).

The election campaign showed remarkable developments. The ÖVP portrayed Schüssel as a responsible leader and claimed the outgoing government’s alleged achievements, like parental leave for all and the expansion of occupational pensions. However, the tactical putsch came in mid-November, when Schüssel and Grasser announced that, if re-elected, the ÖVP would suggest Grasser as its non-partisan finance minister. This brought to the ÖVP camp the most popular minister and also helped attract disenchanted FPÖ voters. By contrast, the FPÖ campaign was a disaster. Internal conflicts and the resignation of politicians continued. As late as 1 November, social minister Haupt became the new party leader (Luther 2003: 142-3).

The SPÖ did not conduct a leader-oriented campaign either, not least due to the consistently low poll rating of its chairman, Alfred Gusenbauer, who had been subject to considerable intra-party criticism in 2002 (ibid: 142). Gusenbauer had become the leader of a party in search of identity after it had been excluded from office in 1999. After the resignation of Victor Klima, many in the party feared that the party’s trade union wing and a more pragmatic wing would polarize as soon as a representative of one of these wings would become party leader. Since Gusenbauer did not belong to either of the two wings, he was eventually nominated unanimously (DP 18.02.2000). Though Gusenbauer intended to renew the party’s politicians, its organization and its policy orientation, this proved rather difficult since the party was now lacking ministerial resources and thus became even more dependent on the trade unions’ expertise and finances (interview with SPÖ-insider). For instance, Gusenbauer aimed at upto twenty new parliamentarians at the 2002 candidacy list
who had to be young, preferably female and “reform friendly”. However, this proved to be impossible within the existing organizational structure (DP 17.06.02).

Election day brought the SPÖ a small gain, but the ÖVP was the clear winner. It increased its share of the vote by 15.4 points to 42.3 percent. This placed the ÖVP ahead of the SPÖ for the first time since 1966. By contrast, the FPÖ was the major loser slumping from 26.9 to 10.0 percent (Luther 2003: 144). Wolfgang Schüssel, Martin Bartenstein and Karl-Heinz Grasser were all members of the ÖVP negotiation team and supported a rapid abolishment of early pensions, reduced old age pensions and further expansion of private provisions (interview with business representative; DP 17.12.02; DP 13.01.03). This proved unacceptable for SPÖ trade unionists, but at least the expansion of private pensions was very well possible with the FPÖ (DP 31.12.02; DP 25.01.03). Moreover, the vice-chairwoman of the Greens parliamentary fraction complained that the ÖVP’s budgetary proposals could only be accepted by the FPÖ. Hence, to the regret of the ÖAAB and some state governors, Schüssel entered a new coalition with the FPÖ (DP 25.01.03). The new government included several familiar faces. Wolfgang Schüssel remained chancellor, Martin Bartenstein continued as economics and labor minister, Herbert Haupt remained social minister and Karl-Heinz Grasser was again appointed finance minister.

The 2003 Pension Reform

Once in office, the ÖVP-FPÖ coalition immediately drafted a pension reform and presented it within four weeks. For some groups, this draft would have entailed a reduction of pension benefits of upto 30 percent (Obinger 2005: 217-8) - ‘the most severe pension retrenchment in Austrian history’ (Schulze and Schludi 2007: 591). The main proposals were to (ibid; Obinger 2005: 217-8; Schludi 2005: 186-7):

- abolish early retirement based on unemployment and a long social insurance record until 2009
- increase the reference period for benefit calculation from 15 to 40 years
- reduce the pension calculation coefficient from 2 percent per pension year to 1.78 percent (this increases the period to receive a full pension from 40 to 45 years)
- increase bonus and malus for early pensions from 3.75 percent to 4.2 percent
- extend child-raising credits from 18 to 24 months
Although social minister Haupt was a member of the FPÖ, the original draft of the 2003 pension reform was initiated and dictated by the ÖVP (interviews with trade unionists and business representatives). Both the opposition parties and the trade unions vehemently criticized the proposal (interviews; DP 05.04.03; DS 16.04.03). Resistance also came from the FPÖ. Its politicians had by and large been unsuccessful in their attempts to water down pension reforms during the hectic coalition negotiations. As such, Jörg Jaider threatened that the FPÖ would quit the government (DP 12.04.03; DP 23.04.03). He also pressed minister Haupt to demand a referendum about the reform. However, the ÖVP bluntly refused this (Dachs 2004: 527-8).

The ÖVP also encountered opposition within its own ranks. Virtually all its state governors demanded softenings, seemingly fearing their electoral fortunes (DP 09.04.03). Moreover, whereas Schüssel and the Business League continued to insist on a rapid implementation without major changes, the 36 ÖAAB parliamentarians and the GÖD refused to go along (DS 12.04.03; DP 16.04.03). To quote a high-ranking ÖAAB politician, ‘of course all ÖAAB deputies must vote against the proposal… The reform should not be part of a budgetary law. This shows what it is all about – short term retrenchment, not safeguarding pensions… The development is neo-liberal and unbearable. The Chancellor’s neo-liberal behavior diametrically contrasts to the Catholic social doctrine’ (in DS 14.04.03). Simultaneously, the president of the Economic Chamber (also ÖVP MP) suggested the social partners were willing to co-operate if the government would opt for complete harmonization and suspend the reform until September 2003 (DP 24.04.03). However, Schüssel turned down this unusual offer of social partner unity (Schulze and Schludi 2007: 592).

As such, the ÖVP party conference on 25 April was heading towards heated debates. The party leadership accepted a critical discussion proposal by the ÖAAB, but managed to appoint it to an internal committee. However, despite several attempts from the party leadership, it could not soften a speech by the highly critical state governor of Higher Austria, Josef Pühringer. Like the ÖAAB, Pühringer demanded improvements in child-raising pension credits, longer transition periods for the retrenchments and no cuts for those with 45 contribution years (DS 26.04.03; DP 26.04.03). Eventually, Schüssel managed to secure his continuation as party leader after promising further expansions in child-raising credits, more harmonization and
more careful considerations regarding the accumulation of losses in pension rights. These would be made concrete by economics minister Bartenstein (DP 28.04.03).

This did not satisfy the ÖGB which planned several strikes with the approval of the Christian trade unionists, including ÖVP MP and GÖD chairman Fritz Neugebauer (DP 29.04.03). The unions managed to mobilize the two biggest strikes for over half a century: One on May 6, with 500,000 participants, and one on June 3. Praise for the reform came from the European Council of Finance Ministers which ‘explicitly encouraged the Austrian government to implement the ambitious reform project in pensions and health care decisively’ (in DS 14.05.03). From May 15 to May 25, the social partners were finally invited to talks with Schüssel, together with some state governors (Dachs 2004: 530), including Josef Pühringer (Schulze and Schludi 2007: 592). However, the government largely neglected the mass protests. Most notably, the government made it public that the coalition parties had reached an agreement on June 3 - the day bringing a million people onto the streets. However, in line with the demands of the FPÖ for approving the bill, the ÖGB had obtained a key concession that pension cuts would be restricted at 10 percent (DP 27.05.03; Busemeyer 2005: 580; Dachs 2004: 529).

Furthermore, the FPÖ could claim credit for introducing a means-tested ‘hardship fund’ for workers receiving pensions below €1,000 per month and, in line with the preferences of the social partners, more harmonization (DP 15.04.03; DP 25.04.03). In addition, the ÖAAB had successfully demanded that workers operating in a physically abrasive work environment are still able to retire early (DS 14.05.03).

Only a few days before the final parliamentary debate there was still disagreement within the government. With the support of Jörg Haider, eight out of ten FPÖ parliamentarians threatened to vote against the reform (DP 06.06.03). They demanded a higher capital stock for the hardship fund and eventually managed to increase it by merely 2 euros per pensioner per month ((DP 12.06.03; DP 13.06.03). This obviously did not come close to the ÖAAB demand that those receiving pensions below €1,000 – over half of the elderly – would not be affected by the reform (DP 03.06.03; DS 06.06.03). However, the ÖAAB deputies and, in particular, GÖD chairman Fritz Neugebauer, also obtained some late minute concessions. Most notably, the losses for civil servants were restricted to 10 percent and workers with long contribution histories (40 to 45 contribution years) would still be able to retire early (DP 04.06.06; DS 06.06.03; DP 11.06.03).
To the regret of some in the ÖAAB, the Nationalrat adopted the bill on 11 June 2003 with the ÖVP and FPÖ majority (DP 13.06.03). Throughout the process, business-oriented politicians in government and Chancellor Schüssel in particular clearly had the initiative. A case in point here is Schüssel’s adherence to the strict tight schedule of early June (originally set at June 4), which was consistently backed by minister Bartenstein and minister Grasser (DP 17.05.03). As the government could sideline at least the SPÖ-affiliated trade unions, the main reason why the government had to make some concessions was opposition from within the coalition parties. The social partners were only involved at a very late stage and seemingly had limited influence. However, a business representative stressed that, in comparison to the trade unions, the employers had ‘of course made use of other possibilities. That is to say, we had substantial influence through the chancellor and ministers in government. Although the government had initiated and pushed through the 2003 reform, its spirit was very close to business. Hence, our proposals were implemented’ (interview).

The 2004 Pension Harmonization

The political process surrounding the 2004 law on pension harmonization differed quite remarkably from the 2003 reform. Instead of a late involvement of the social partners, the government and the social partners now held several round table negotiations from the start in early autumn 2003 (interviews). In this sense, one trade unionist identified a ‘learning process of chancellor Schüssel’, but simultaneously pointed out that this did not include the chancellor’s policy preferences.

In agreement with a proposal by the president of the Economic Chamber, the government decided to introduce a uniform pension system with individual pension accounts in its government declaration (interview with business representative; DP 17.02.03). A few months later, the ÖGB also expressed its intentions to opt for a uniform pension system, but with more generous individual pension rights (DP 08.10.03). Pressure for harmonization thus came from a broad range of the political spectrum, including the SPÖ, the ÖVP Business League and the FPÖ. All insisted on retrenching arrangements for civil servants in particular (interviews; DP 10.02.04).

Nonetheless, the negotiations between the government and the social partners proved to be lengthy as the ÖGB and the SPÖ demanded to retract the 2003 reform (BK 11.03.04: No. 174). Moreover, the SPÖ and the ÖGB insisted on compensations
in pensions for lower income groups due to an increase in health care contributions (DK 25.02: No. 123). In addition, the ÖAAB demanded improvements for these groups (DP 13.02.04). Last but not least, Jörg Haider remained furious about the 2003 reform and demanded more attention for lower income pensioners. Frustrated by the lack of visibility of the FPÖ in defending the ‘little man on the street’, Haider had by and large lost his faith in social minister and party chairman Haupt. In late October 2003, Haupt was complemented by Haider’s sister in his function of chairman in order to restore the frictions between FPÖ representatives in government and party members (DP 21.10.2003; Luther 2006a: 28). Informally, however, Haider remained the ‘strong man’ in the FPÖ (Fallend 2006: 1042).

In July 2004, the government announced the pension harmonization proposal. The main features were to (PK 22.07.04: No. 583):

- Create a uniform pension system mandatory for employees under age 50
- Gradually increase retirement age to 65 by 2033
- Annually adjust pensions according to the price index instead of net wages
- Introduce a ‘sustainability factor’ into the pension formula adjusting benefits according to developments in life-expectancy
- Raise contributions for civil servants, self-employed and farmers to 22.8 percent, 17.5 percent and 15 percent, respectively
- Introduce voluntary pension accounts
- Increase chil rearing credits from €640 to €1340
- Restrict the exception for hard and dangerous manual labor to retire at age 60 to a maximum of 5 percent of the working population
- Limit pension cuts for each individual to 5 percent (gradually adjusted to 10 percent by 2024)

Both the ÖGB and the SPÖ mainly rejected the proposal because the Chamber of Labor had calculated losses of upto 20 percent for some groups and working women in particular from 2024 on (ibid; DP 13.07.04). Nevertheless, they had obtained the key concession that pension cuts for each individual would be limited to 5 percent and gradually adjusted to 10 percent by 2024 (DP 13.07.04).

Furthermore, opposition came from within the government parties. At the time the proposal was presented, social minister Haupt was pushed out of his position as
party chairman. Officially, Haupt gave up his position due to feeble health. According to media reports, however, he was forced to do so because of his lack of popularity and to provide Haider’s sister better opportunities to present her party in public (Fallend 2006: 1043). The FPÖ and the ÖAAB pushed through a permanent exception for those in an arduous working environment to retire at age 60, and an extension of early pensions for workers with long contribution histories (40 to 45 years) until 2010, despite claims from economics minister Bartenstein that these could not be financed (DP 19.07.04; DP 03.08.04; DP 25.08.04; DP 27.08.04).

Not surprisingly, the GÖD once again tried to defend its elderly clientele as much as possible. GÖD chairman and ÖVP MP Fritz Neugebauer had also become ÖAAB chairman in late October 2003. He had repeatedly insisted on softening and postponing the cuts in civil servants’ pensions once harmonization would be on the table (DP 05.06.03; DP 13.07.04). One day before the vote in parliament, Neugebauer was able to ensure that the new legislation would apply to all civil servants from 2033 on (interview with trade unionist). By then, calculations from the social ministry indicated that losses of up to 19 percent would be possible from 2024 on. As such, the FPÖ and some in the ÖAAB unsuccessfully tried to limit the cuts to 15 percent (DP 15.11.04; DP 16.11.04). On November 18, the bill was approved with the votes of the ÖVP and FPÖ. The ÖGB was highly disappointed and demanded that the favorable transition period for civil servants would apply to all employees (DP 19.11.04). Moreover, even some ÖAAB politicians could not hide their frustration. To quote an anonimous ÖAAB parliamentarian, ‘I did not like it that the GÖD was able to obtain good transition periods for higher salaried and elderly civil servants at the end of the negotiations’. In addition, this politician perceived the introduction of a minimum pension, as mentioned in the 2003 coalition program, as ‘an important welfare proposal which was not implemented in the pragmatism of the second Schüssel cabinet. It also was not the major proposal. That’s a pity in itself’ (interview).

By contrast, a business representative noted that ‘in principle, the 2004 law on pension harmonization came from us as well. At the end, the transition periods were too favorable in our opinion. We would not have done it that way’ (interview).
10.3 Conclusion

This chapter started out with the question why power resource theory shed quite some light on pension reform in Austria until 2000. The starting point of my answer lied in the composition of government, that is, Austria had been ruled by a coalition of social democrats and Christian democrats from 1986 to 1999. Both parties had strong ties with trade unions in comparison to their German and, in particular, Dutch sister parties. Due to resistance from unionists in parliament, pension retrenchments failed in 1995, despite increased austerity. Afterwards, we witnessed a reinforced trend of a weakening of influence of trade unionists within the two parties at the expense of more liberal and business-oriented politicians. This trend was strongest within the ÖVP where the business league became the dominant faction, and accelerated when the former chairman of the business league became party leader in 1995 – after the ÖVP had undergone strenuous debates over how to improve the “dismal situation” of a hardly visible minority party in government. From 2000 to 2006, the ÖVP formed a government with the populist party (FPÖ). Despite protests from the Christian democratic employees’ wing and the populist party, the responsible ÖVP government members managed to steer reforms in a market-liberal direction. Although the ÖAAB had no representatives in government, it did manage to flex its moderate muscles together with the FPÖ. Standing stronger together, they were able to delay some cuts and to achieve some compensations for housewives, manual workers and lower income groups.

In line with my proposition on organizational change, pragmatists within the SPÖ weakened against a background of austerity and de-industrialization. However, this process accelerated after the SPÖ had been excluded from government in 1999. Although the new party leader Gusenbauer intended to renew the party’s politicians, its organization and its policy orientation, this proved rather difficult since the party was now lacking ministerial resources and thus became even more dependent on the trade unions’ expertise and finances. In June 2006, the financial end of a large Austrian bank - owned and managed by the ÖGB - further stimulated the process of personnel renewal (the so-called BAWAG-Skandal). By then, Gusenbauer and the ÖGB chairman decided that the latter will no longer be represented in the Nationalrat (DP 22.06.06). Once the SPÖ managed to win the October 2006 elections, coalition talks with the ÖVP proved extremely long and difficult because the rather market-
liberal policy preferences of the Christian democrats contrasted sharply with the preferences of trade unionists in the SPÖ.

For the moment, time is too early to tell whether the SPÖ is moving further in a more pragmatic direction. This seemed to be the case with a SPÖ negotiation team on pensions led by a non-trade unionist, a SPÖ minister without a background in the ÖGB entering office in January 2007, and internal opposition from trade unionists and leftist politicians as the SPÖ had seemingly surrendered to the ÖVP’s rather market-liberal social security plans in the coalition agreement. In March 2008, a strategy paper of the ÖVP became public. It announced the break up of the coalition and a call for early elections (DP 28.03.08). According to the ÖVP’s new party leader - who had succeeded Schüssel after the party had failed to maintain its dominant position in office - the SPÖ was lacking orientation and leadership (http://activepaper.tele.net/vntipps/Molterer_Neuwahl_Erklaerung.pdf). Ironically, the early elections of September 2008 left a renewed SPÖ-ÖVP coalition the only option. By December, the grand coalition was reinstored. Once again, populist parties had eaten into the electorate of both coalition parties - a process likely to be spurred if the government opts for a market-liberal pension reform agenda in response to the credit crisis.
11 How Austrian Christian Democrats Still Embrace Famialism

In contrast to Germany and the Netherlands, chapter five found that power resource theory continues to explain reforms of family policy in Austria. Bearing in mind the re-orientation of Dutch and German Christian democrats in opposition by the late 1990s, this chapter outlines that their Austrian counterparts still embrace famialism and explores why this is the case. To do so, section 10.1 analyzes the period when the social democrats (SPÖ) led a grand coalition with the Christian democrats (ÖVP). This was between 1987 and 1999. Section 10.2 studies the coalition between the ÖVP and the populist right wing party (FPÖ) from 2000 to 2006. Section 10.3 analyzes family policy developments under the current SPÖ-ÖVP government and concludes.

11.1 Family Politics until the Year 2000: The Politics of Compromise

Expanding gender-egalitarian social policy was difficult in Austria. The pattern of women’s labor force participation and opinions on working mothers resembled the Western German pattern very closely. Female labor market participation increased from 49 percent in 1980 to 62 percent in 1994, a few percentages ahead of the Western German rate; and in 1990 around 80 percent of the Austrian and Western German respondents claimed that a pre-school child suffers with a working mother. Though previous SPÖ-dominated governments opted for equal rights with women’s groups standing at the forefront, the party was in a coalition with the ÖVP from January 1987 on. Hence, the SPÖ had to strike compromises to accommodate the ÖVP’s commitment to the traditional family ideal (Huber and Stephens 2001: 275).

To quote Franz Vranitzky, the SPÖ chancellor, ‘questions regarding family policy took much time during the coalition negotiations between the two major parties. We needed thorough discussions to arrive at a common position’ (in Schattovits 1991: 393). Whereas the government declarations of the previous SPÖ-dominated governments included several concrete proposals in family policy, the agreement between the SPÖ and ÖVP merely proposed two expansions of transfers (ibid: 394). Indeed, expanding transfers has been the lowest common denominator in family policy during the reign of the grand coalition (Obinger and Tálos 2006: 159).
Moreover, Johanna Dohnal, the SPÖ under-minister of women’s affairs from 1987 to 1991, noted that ‘several SPÖ politicians did not make it easy for the party’s women’s organization to push through their feminist demands’ (interview). According to chancellor Vranitzky, hardly any social democrat ‘publicly opposed demands from women’s groups but, in practice, one could have imagined much more support. The learning- and re-orientation processes took several years and succeeded step by step, though it was not exclusively satisfactory… For many within the party, let alone outside it, Johanna Dohnal was too radical… This was a good thing since she had to push through her demands within her own party and ÖVP colleagues opposed them anyway’ (Vranitzky 2004: 250-1).

As such, it did not help SPÖ women’s politicians that the ÖVP managed to establish and obtain the family ministry. According to Johanna Dohnal, the ministry was ‘explicitly used to kill a progressive, emancipatory women’s policy. And one has done so until today’ (interview). Social democratic politicians indeed blamed Marilies Flemming, a former chairwoman of the ÖVP women’s organization and the first family minister, for promoting conservative family policy. Within her own party, however, several politicians often perceived her as too social-liberal. Already in the early 1960s, Flemming met laughter from fellow partisans when she insisted on an equal division of household tasks between men and women. By 1975, she was among the few ÖVP politicians who supported an SPÖ proposal that changed authority relations in the family towards an individual arrangement (Stranzinger 1995: 150).

More so than the ÖVP women’s organization, the ÖAAB (Christian democratic employees organization) is a major player regards family policy within the ÖVP (interviews). Whereas labels like famialists and equal right supporters cut right across the ÖAAB (Müller 2006: 359), we shall see that most ÖAAB politicians continue to embrace famialism. In addition, the Catholic family organization and the family league are two important organizations with conservative views.Officially, these are not linked to the ÖVP but, in practice, they closely co-operate with the party in developing proposals. This has not really changed since 1987 (interview with ÖVP politician). The continued involvement of conservative family associations becomes more understandable if we note that secularization and women’s emancipation occurred at a slow pace and to a lesser degree compared to East Germany and the Netherlands. In 1999, for instance, 80 percent of all Austrians were Catholics.
Reforms under the Grand Coalition

The politics of compromise between the SPÖ and the ÖVP is visible in three “family packages”. A first major effort was the 1989 package. This contained provisions each of which in isolation would have been unacceptable to majorities within the two government parties (Huber and Stephens 2001: 275). Amongst other things, under-minister Dohnal, minister Flemming and female trade unionists managed to introduce parental leave for working parents instead of maternity leave (Stranzinger 1995: 151), a measure which had been put on the agenda by the SPÖ women’s organization since 1979 (Fix 1998: 28). However, this initially failed because the SPÖ-FPÖ government broke down shortly after the proposal had been developed (Obinger 2005: 205). Parental leave for employed clearly went against the demands to establish arrangements for all parents as demanded by most ÖVP politicians and representatives from the Catholic family organization (ÖVP 1986: 2; Schattovits 1991: 402-3). Furthermore, the leave period was extended from one to two years, though at a low replacement rate. In addition, the opportunity to take part-time leave was established during the second year.

The new legislation was preceded by lengthy discussions between minister Flemming and the ÖVP women’s organization on the one hand, and the party’s business wing on the other. However, the original demand for a three-year leave period with dismissal protection was blocked by the Economic Chamber and the Association of Industrialists (Stranzinger 1995: 151). In addition, under-minister Dohnal argued that she ‘and some others of course wanted an extension of the parental leave period whereby a man was obliged to take one year. This was already blocked within our own women’s organization at the time’ (interview). Like in Germany, five years after the introduction of parental leave fewer than 1 percent of those enrolled were fathers (Huber and Stephens 2001: 275).

In 1990, chancellor Vranitzky entered another term in office. Johanna Dohnal became the first minister of women’s affairs but financial and personnel resources remained far below those of other ministries (Rosenberger 2006: 746). Marilies Flemming continued as family minister but was forced to resign in 1991 due to
alleged corruption practices. She was succeeded by a fellow female partisan who was much more in favor of the traditional family ideal (interviews).

Nonetheless, a package, legislated upon in 1992, included some expansion in the direction of equal opportunities. The impetus for this package came from a ruling of the constitutional court that held lower retirement ages for women to be unconstitutional. The consequent need for the government to revise pension legislation was taken advantage of by minister Dohnal and women’s organizations in both the coalition parties and the trade unions (interview with Johanna Dohnal; Tálos and Kittel 2001: 118-21). They demanded additional arrangements to equalize material conditions for women and men in the labor market and in social policy. Arrangements included an expansion of leave to take care of six relatives from one to two weeks, pension credits for employed mothers raising children, and payment of family allowances to mothers rather than wage earners (Schattovits et al 1999: 472; Huber and Stephens 2001: 276).

Parallel to the equal opportunities package, the government implemented a family package (Rosenberger 1999: 765). Again, a ruling of the constitutional court provided the catalyst. The ruling established that a family’s existence minimum was not free of taxes for higher income groups. This was taken advantage of by the ÖAAB, the Catholic family organization and the family league. For years, these organizations had favored the introduction of child advantages independent of a family’s income and more generous tax cuts for wage earners. These proposals were incorporated by the ÖVP in general and the family minister in particular (Schattovits et al 1999: 453-5). Furthermore, the ÖVP demanded a special transfer for each parent who spends most time on children. It was assumed that this would be the mother since she had to make it explicit if the entitlement did not apply to her. All these proposals became law and were criticized for their negative effects on gender equality by the SPÖ in general and SPÖ women’s groups in particular (Rosenberger 1995: 390). Hence, like the 1989 package, the two rather divergent 1992 packages contained provisions each of which in isolation would have been unacceptable to majorities within the two coalition parties.

In addition, the SPÖ proposed to expand child care to bring women’s integration into the labor market on an equal footing with men (SPÖ 1990: 16; SPÖ 1994: 11). For years, the party’s women’s movement and female trade unionists had promoted this issue (Schattovits 1991: 405; Rosenberger 1999: 768). Between 1991
and 1995, women’s minister Dohnal led a campaign to achieve full coverage. When the campaign started, 2 percent of all children up to the age of three were enrolled in child care facilities. In addition, 53 percent of all facilities offered full day services. The exception to rule was the social democratic bulwark of Vienna with a 93 percent figure (Neyer 1993: 17-8). This becomes more understandable if we note that providing child care is a responsibility of the Länder. Indeed, minister Dohnal’s attempt shattered due to opposition from ÖVP Länder governors (Rosenberger 1995: 393). Moreover, minister Dohnal regretted that she ‘had proposed a law on the quality of child care which was rejected by the ÖVP while it attempted to regulate things at a national level’ (interview).

At the same time, politicians were particularly concerned with a recession leading the deficit to climb from 2 percent to 5 percent of GDP between 1992 and 1994. Moreover, government forecasts indicated that it would reach about of 8 percent of GDP in 1997 without further fiscal action. To make matters worse, this development coincided with Austria’s aspirations to join the EMU (Schludi 2005: 168-70). Not surprisingly, plans to trim the deficit played a crucial role after the 1994 elections. Chancellor Vranitzky and minister Dohnal resumed their positions. Martin Bartenstein, a member of the ÖVP business league, became family minister.

In April 1995, some austerity policies were imposed, including restrictions on family transfers. However, the previous chapter has shown that disagreements between government members over the type and extent of welfare retrenchment led Wolfgang Schüssel, ÖVP leader and former business league chairman, to pull the plug out of the coalition in the summer of 1995. As a junior partner, the ÖVP was not all that visible in the coalition and increasingly lost votes to the populist right-wing FPÖ. In family policy, the FPÖ reached out to Austria’s large share of Catholics by favoring famialism (Riedlsperger 1998: 33). Interestingly, Schüssel had rather market-liberal orientations, but is conservative in family policy (Pelinka 2003: 199). Accordingly, the ÖVP continued the course towards famialism, a direction appealing to Catholic core constituents (Müller 1997: 281).

This strategy was not embraced by all in the party. For instance, a young, female ÖVP politician observed massive setbacks in women’s policy. ‘Here, I have to mention my own party. The way how one currently legislates family policy is a

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25 For more information about the FPÖ position in family policy, see Rösslhummer 1999 and Hauch 2002.
deterioration’ (in Kreisky 1995: 621). Notably, a group of ÖVP politicians argued that the ÖVP should re-orientate in the direction of equal rights to secure its future and started to set up a liberal platform in 1995 (Platform für offene Politik: 1999). Furthermore, a representative of the Economic Chamber pointed out that ‘there was some tension between demands of a business organization interested in high employment and budgetary restraints, and a party adhering to traditional views on the role of women in the labor market’ (interview).

After the December 1995 elections, the SPÖ again became the lead party in a grand coalition. Helga Konrad, also chairwoman of the SPÖ women, took office as women’s minister. Bartenstein continued as family minister. The government agreed to an austerity package with a reduction in parental leave from 24 to 18 months except in cases where the husband takes leave for at least six months. This was in line with demands of the SPÖ women’s organization. By contrast, Catholic associations and the ÖAAB vehemently opposed the measure and the package as a whole since these primarily hit families with one wage earner (DP 10.02.96; DP 03.08.96). In addition, the ÖVP noted that if the SPÖ would again not be willing to compromise on family policy, it would organize a public referendum (DP 03.08.96).

A 1997 ruling of the constitutional court demanding tax advantages for families provided a window of opportunity for those embracing famialism. In fact, the ÖAAB and conservative family associations continued to suggest tax advantages for larger families and families with a single wage earner (DP 22.08.95; DP 09.08.96). In January 1998, the ÖVP party executive went along with these demands (Rosenberger 1999: 765). A few months later, the government issued a third family package. It doubled child tax advantages and introduced a tax cut for each child in a family with three or more children. The costs hovered around € 900 million, the biggest transfer increase during the reign of the grand coalition (Schattovits et al 1999: 565).

The SPÖ, by contrast, had criticized the measures and favored special benefits for each child in a lower income family (Rosenberger 1999: 765). Once again, the politics of compromise became visible in the package as the SPÖ women’s minister, the party’s women’s organization and female trade unionists managed to introduce an educational benefit for mothers returning from leave. In addition, they obtained approximately € 90 million to improve child care facilities (interviews).

Finally, Austrian and German trade union representatives had pressed for an equal treatment of mother and father to be included in a European parental leave
directive. This already succeeded by June 1996. Like in Germany, however, the regulation with its emphasis upon equal opportunities was totally at odds with the preferences of a dominant coalition in the Christian democratic party. Hence, Austrian unions had used the EU level to push through a reform which might have met resistance at the national level. Before the directive was implemented, a child’s father could only take leave if the mother was entitled to leave but did not take it. This ran counter to the principle of equal treatment of mother and father. Although the change was not costly, implementation took until July 1999. In this case, however, postponement was mainly due to extra demands from trade unions and opposition from the Economic Chamber (DP 10.02.96; EIRO 1999; Falkner et al 2002).

11.2 Family Politics after the Year 2000: How a Change in Government Implied a Stronger Orientation towards Famialism

In family policy, the campaign of the October 1999 elections continued to be marked by considerable ideological differences. The SPÖ and the Greens refused to decide between ‘better’ and ‘worse’ forms of cohabiting and saw equality of opportunity for individual family members as an important value. Family policy was not separated from women’s policy, and especially child care was a central demand to reconcile work and family life (SPÖ 1999: 2-14; Greens 1999: 1-6). The SPÖ women’s minister even financed a TV campaign in which children had to say that they preferred a child care facility to staying at home (DP 29.09.99).

The FPÖ and the ÖVP, by contrast, saw the traditional family as their central focus in family policy (Obinger and Tálos 2006: 158). This had not always been the case within the FPÖ. In fact, a liberal wing embracing equal rights used to be dominant until 1986. Under the new chairman Jörg Haider, however, German-nationalists became dominant. Haider angered fellow partisans with strong emotional ties to the party’s secular tradition by insisting that Austrians should have more children to weaken the impact of immigration and reinforce the traditional family to transmit ‘German-Austrian values’ (Riedlsperger 1998: 33). In response, five politicians quit the party and established the Liberal Forum in 1993 (Kreisky 1995: 624). Accordingly, the FPÖ’s 1999 election program is silent on women’s rights and rather mobilizes conservative Catholics who were disillusioned with the ÖVP behind the FPÖ as the new party of traditional values (Riedlsperger 1998: 33). From a vote-
seeking perspective, this seemed quite a logical strategy. In 1999, for example, 70 percent of the Austrian respondents agreed with the claim that a pre-school child suffers with a working mother (World Value Survey).

In family policy, the central proposal of both the FPÖ and the ÖVP was a more generous and universal parental leave scheme, i.e. independent of labor market participation (FPÖ 1999; ÖVP 1999: 19-20). As most ÖVP and FPÖ parliamentarians had rather similar socio-economic policy preferences (Müller and Jenny 2000), it is not all that surprising that a FPÖ politician already announced by 1997 that her party wanted to co-operate with the ÖVP in family policy (DP 22.07.97). By then, both parties advocated more generous family transfers for large families and universal parental leave (DP 02.08.97).

According to an ÖVP politician, the ÖAAB, the Catholic family organization and the family league stood at the base of more generous and universal parental leave (interview). Indeed, family minister Bartenstein, a member of the business league, was not all that enthusiastic about it (DP 02.08.97). Furthermore, the business league’s chairman, also ÖVP MP, wanted that the ÖVP departed from its concentration upon family policy and paid more attention to employment and tax reform (DP 20.01.98). By contrast, party chairman Schüssel, the former chairman of the business league, argued in February 1998 that ‘he wanted to transfer a large part of the tax revenues which are currently invested in child care directly to parents in the form of a parental leave benefit’ (in Rosenberger 1999: 770). Notably, a group of ÖAAB women formed a minority in this league by opposing universal parental leave (DP 02.08.97). This is in line with Müller’s claim that labels like familialists and equal right supporters cut right across the ÖVP leagues (Müller 2006: 359).

Those opposing universal parental leave warned that it would bring women back home and further worsen the weak supply of child care (DP 02.08.97). Especially SPÖ women were vehemently opposed against the measure, but SPÖ chancellor Klima secured that ‘universal parental leave would not come as long as social democrats have something to say in this country’ (in DP 08.06.99). Not surprisingly, family policy, in addition to pensions, led to major disagreements between the SPÖ and the ÖVP (DP 16.12.99). Once the ÖVP formed a coalition with the FPÖ in February 2000, family policy and pensions provoked the biggest confrontations between the government parties and opposition parties (DP 10.02.00).
In family policy, more generous and universal social policy clearly was the spearhead of the first ÖVP-FPÖ coalition. This was welcomed by Schüssel, the new Chancellor, as increasing ‘freedom of choice’ for women (in Obinger and Tálos 2006: 32-3). To the regret of the former SPÖ women’s minister, the competencies for family policy and women’s policy were handed to the newly created economy and labor ministry as well as the social ministry (DP 10.02.00). The economics ministry was allocated to Bartenstein, the previous family minister, while the social ministry was occupied by an FPÖ politician with a background in handicraft teaching. This meant that the political influence of both the women’s movement and female trade unionists was considerably reduced (Rosenberger 2006: 748).

In March 2001, the government presented the core features of a family package26. Apart from increasing transfers for families in general and large families in particular, the intention was to universalize parental leave and to extend the period of leave for one parent from 18 months to 30 months while an employee would remain protected against dismissal for 24 months. In addition, leave benefits were to be increased and recipients were to be allowed to earn up to 14,600 annually without any benefit. For 2005, the government estimated that the parental leave arrangement would cost € 1,25 billion extra compared to previous legislation. This is remarkable if we note that, pressed by the Stability and Growth Pact, the government was determined to balance the budget. Indeed, the government ignored the opposition from the FPÖ finance minister.

By late June, the SPÖ and the Greens proposed various amendments. The former SPÖ women’s minister, for instance, favored an expansion of child care and various other measures to reconcile work and family life. This was turned down by the government parties since the necessary financial resources would not be available. By contrast, the president of the family league thanked the government for adhering to his organization’s demands.

A few days later, the final debates took place and the ideological differences between the government and opposition in family policy became clear. Like the SPÖ, the Greens complained that the government wanted to maintain the existing division of tasks between male breadwinners and housewives, and to support working mothers to retreat. Based on the lack of child care facilities, freedom of choice for women

26 Unless indicated otherwise, the following overview of the political process in parental leave draws on an excellent analysis by Obinger and Tálos 2006: 162-7, 174-5).
would be an illusion. The FPÖ female party executive regretted this ‘red ideology’ characterized by the thought ‘how do I enable women to give up their children as soon as possible’. An ÖVP politician complemented: ‘In reality, you SPÖ politicians want to send children to public child care immediately after birth… Hence, to see them far away from their parents – this makes your socialist world complete’.

Despite vehement criticisms from the opposition, the proposal became law on July 4th 2001 due to the support from the two government parties. Chancellor Schüssel labeled it a ‘major jump’ which made ‘Austria the most family friendly country in Europe’. Ridi Steibl, ÖAAB vice-chairwoman and ÖVP spokeswoman on family policy, noted that universal child parental leave had been a longstanding ÖVP demand which could not be implemented with the SPÖ. ‘The SPÖ says that this would force women home but this is absolutely false. They claim that it is more important when the child goes to a child care facility after birth than to give the mother money to stay at home. The SPÖ was always vehemently opposed against universal parental leave’ (interview). On the other hand, a female ÖVP politician admitted that ‘as a coalition partner, we have blocked some things. And I confess that regarding the family, women, cohabiting and life quality we have seen many things differently than they’ (the SPÖ: author’s information). Accordingly, we are happy that we currently have a coalition partner that brings its societal thoughts into action in our direction in this policy domain. As such, it is possible to change a lot here’.

Indeed, the parental leave scheme is a remarkable change in the direction of famialism. As such, it reinforced the role of women as mothers rather than workers. Notably, it led to a stronger withdrawal of women from the labor market and higher female unemployment rates, without causing fathers to get more involved in the care of young children (OECD 2003; Lutz 2004; Angelo et al 2006; DS 13.04.07). One problem for working mothers is the discrepancy between the 30 months of entitlement and the 24 months of job protection. By early 2004, 50 percent of the women on leave did not know about this discrepancy (Wrobleski 2004: 2). Last but not least, chancellor Schüssel argued that the new parental leave scheme offered greater freedom of choice in child care matters. However, child care places for children under three are very scarce. In 2002, there was a shortfall of 90,000 of such places (OECD 2003).
The second Schüssel government, formed in February 2003, continued the course towards famialism. For instance, the ÖVP-FPÖ coalition denied that there was an imperative necessity to expand child care as pointed out by the opposition parties and international organizations like the OECD and the EU. Accordingly, it did not take any action in this field. In addition, the government questioned any negative employment effects of the new parental leave scheme (EIRO 2004). Furthermore, in July 2004, it implemented a tax reform with disincentives for women to be employed. Despite budgetary constraints, the reform included increases in family transfers. Moreover, it introduced both a child benefit and tax advantages for families with one wage earner. To be fair, the other partner was allowed to earn € 6,000 per year. However, if this is exceeded, a family no longer is entitled. Hence, the measures supported a specific family model of a male wage earner and a female partner who is employed for not more than a week per month (Angelo et al 2006: 63-4; Obinger and Tálos 2006: 176).

Last but not least, in late May 2004, legislation was passed giving parents of children aged upto 7 rather than 4 a right to work part-time. Here, the interests of small firms played a major role as economics minister Bartenstein, a member of the ÖVP business league, ensured that enterprises with less than 20 employees were excluded. Furthermore, an employee has to be employed for at least 3 years (Obinger and Tálos 2006: 170). Accordingly, 77 percent of all employees between 20 and 45 years are not entitled (Wrobleski 2004: 3).

The SPÖ and the Greens criticized that this was unfair and would create two classes of parents. In addition, the SPÖ, with the support of the Greens, proposed to include a right for a so-called daddy month. However, the government parties turned this down because of a lack of money. Moreover, Ridi Steibl ÖAAB vice-chairwoman and ÖVP spokeswoman on family policy, argued that it would demotivate business to employ men in fertile ages (Obinger and Tálos 171-2). Despite the SPÖ’s criticisms, the party voted in favor of the bill. As one female SPÖ politician put it, ‘it is a step in the right direction, although a way too small step’ (in ibid: 172). Politicians from the coalition parties, judged it to be a ‘landmark to reconcile work and family life’ and a part of the government’s ‘successful balance in family policy’ (in ibid).
However, not every one within the ÖVP agreed. For example, the director of the party’s ‘uninfluential scientific institute’ called for a more societal liberal course (interview with ÖVP-insider). He recognized a ‘remarkable step of thoughts back in time… which can be characterized as the return of a conservative agenda in societal- and cultural political debates’ (Burkert-Dottolo 2004: 576). The course towards familialism, a direction appealing to Catholic core constituents, was not embraced by a federal ÖVP governor either. He ‘also wanted people to join us who do not believe’. In family policy, ‘one can identify the ÖVP’s outdated family image. I have the feeling that only half-hearted measures are taken in order to reconcile work and family life. He mentioned the right to part-time work as one example. ‘Here, a society of several classes emerges. Either a measure applies to everyone or it applies to no one’. In addition, he called for the party to finally discuss the issue of modern forms of co-habitation (in DP 15.05.04).

Last but not least, we have seen earlier that there was some tension between demands of affiliated business organizations interested in high employment and budgetary restraints, and a party adhering to familialism. For instance, the Economic Chamber and the Association of Industrialists supported an expansion of child care in the early 2000s (interviews with business representatives; Fuchs et al 2006). To quote a representative from the Economic Chamber, ‘compared to pensions, the ÖVP certainly went less in the direction of employers in family policy… But one should not forget that there were major reforms in pensions and health care between 2000 and 2006. Family policy also was an issue for us but far less important’ (interview).

11.3 Conclusion

This chapter has argued that the ÖVP still embraces familialism and has explored why this is the case. In line with my proposition on organizational change, we have seen that secularization and women’s emancipation occurred at a slow pace and too a small degree in comparison to Germany and the Netherlands. In other words, the ÖVP faced relatively small contextual challenges in family policy. Once the party returned to government in 1987, subsequent electoral defeats occurred at the expense of the populist right-wing FPÖ. This did trigger a coalition of pragmatists to become dominant by 1995. However, leading politicians within both the FPÖ and the ÖVP continued to embrace the traditional family ideal, a strategy appealing to Austria’s
large share of Catholics in particular. This clearly facilitated the coalition negotiations on family policy. By contrast, negotiations with the SPÖ proved difficult due to, amongst other things, its continued support for equal rights. Accordingly, the change in government from a SPÖ-led grand coalition to the ÖVP-FPÖ government in 2000 implied a much stronger orientation towards familialism, despite increasing fiscal austerity.

Under the SPÖ-led grand coalition, formed in January 2007, the history of the politics of compromise seems to repeat itself. The SPÖ women’s minister, for instance, insisted on an expansion of child care places and wanted the federal government to become responsible in providing child care. However, most ÖVP politicians and all ÖVP governed Länder refused to co-operate on both issues (DS 03.05.07; DS 07.04.08). Instead, the ÖVP wished to implement a tax system whereby tax obligations would again be based on the joint income of both parents rather than on the earnings of individual family members. Here, the SPÖ blamed the ÖVP for promoting the traditional family ideal (DS 31.10.07).

This is not to say that nothing changes in the ÖVP. One ÖVP state governor, for example, joined the longstanding demand of ÖAAB women to abolish the ceiling of € 14,600 a year on additional earnings on top of a child care benefit entitlement (DP 07.05.07). Furthermore, Martin Bartenstein, the re-installed economics minister and member of the ÖVP business league, answered the demands of affiliated business organizations to push for an expansion of child care for children aged upto three. The SPÖ party executive was particularly pleased and argued that ‘it is good sign that the ÖVP is prepared to pick up SPÖ inititiatives’. He ‘praised the ÖVP’s learning process and the preparedness to fling of ideological ballast’ (in DS 11.03.07).

However, we have seen above that most ÖVP politicians were not amused. For the moment, the re-orientation process thus still has to take place. But if my theory has any predictive power, failure to dominate government can do the trick for equal right supporters against a background of secularization and women’s emancipation.
12 Conclusion

This chapter aims at three things. First, at briefly summarizing the results of the empirical investigation. This will be done by discussing each of the three propositions developed in chapter two. Second, the relations to literatures in political science will be discussed, most of them at the intersection of comparative welfare state politics and party behavior, and therefore defying easy categorization. Yet, it is helpful here to sketch the different contributions that this book may make to ongoing debates in different parts of the field. To this end, I have organized the discussion into three parts: explanations of welfare state change, theories of party organizations and party behavior, and the literature on ideas and social learning. Finally, based on the findings, the chapter provides some recommendations that help to reform welfare states in an economically viable, politically feasible and socially acceptable way.

12.1 The Main Findings

The main finding of this book is evidently the importance of party politics for the development of continental welfare states. The relative strength of social democratic and Christian democratic parties shaped the character of continental welfare states during the golden age along lines suggested by power resource theory. Since the late 1980s, however, we have seen fewer and fewer partisan differences, and power resource theory has increasing difficulties to explain welfare development. Yet, this study claims that a focus on inter- and intraparty dynamics is a must if one wants to understand patterns of welfare reform. In devising new welfare approaches political parties continue to matter, but increasingly in different ways than suggested by power resource theory. Across time, space and policy domain, different groups may become dominant within social democratic and Christian democratic parties.

The underlying argument was that, against a background of contextual challenges (fiscal austerity and changing constituents), the catalyst is an external shock which causes a party to reevaluate its effectiveness in meeting its primary goal. For a social democratic and a Christian democratic party, failure to dominate government is the most potent external stimulus. In a subsequent process of organizational change, the new coalition will replace the group of politicians.
supporting the dislodged leadership and modify a party’s internal decision rules to consolidate its own power. This enables the party to pursue new approaches to welfare reform in line with its politicians’ policy preferences. Accordingly, “social democracy” and “Christian democracy” mean different things across space, time and policy domain.

In pension politics, the argument involved two propositions. The first poses that, against a background of austerity and de-industrialization, failure to dominate government is the catalyst triggering a coalition of pragmatists to become dominant within a social democratic party. The second proposition was that, against a background of austerity and secularization, failure to dominate government is the catalyst triggering a coalition of pragmatists to become dominant within their party.

Table 12.1, a summary overview of the empirical findings on pension reform, supports my propositions on pensions for Austria, Germany and the Netherlands. In all three countries, failure to dominate government spurred critical moments of reflection, that is, puzzling within both social democratic and Christian democratic parties. This had important consequences for internal power distributions, considerably weakening traditionalists at the expense of pragmatists.

Nevertheless, it certainly is not a coincidence that the position of traditionalists has weakened within all parties. If we wish to understand this trend, contextual challenges must be considered. Chapter four has shown that, in comparison to Germany and Austria, Dutch parties were ahead in time in coping with a situation of austerity (since the late 1970s), de-industrialization and secularization (since the mid-1960s). Further, Dutch parties were facing more severe austerity until the late 1980s, and Dutch society remains more de-industrialized and secularized than the German and Austrian societies. Accordingly, we have seen that, compared to Germany and Austria, pragmatists earlier started to dominate Dutch traditional welfare parties.
Table 12.1 Change within parties in pension politics

<table>
<thead>
<tr>
<th>Position of traditionalists</th>
<th>Catalyst</th>
<th>Contextual challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PvdA</strong></td>
<td>Gradual weakening since the late 1970s, rapidly since 1986</td>
<td>Government exclusion in 1986</td>
</tr>
<tr>
<td><strong>SPD</strong></td>
<td>Very gradual weakening since the early 1980s, rapid marginalization since 1998</td>
<td>Government exclusion in the late 1990s</td>
</tr>
<tr>
<td><strong>CDU-CSU</strong></td>
<td>Gradual weakening since the early 1980s, more rapidly since the early 1990s and, especially, since 1998</td>
<td>Government exclusion in 1998</td>
</tr>
<tr>
<td><strong>SPÖ</strong></td>
<td>Very gradual weakening since the early 1980s, more rapidly since 2000</td>
<td>Government exclusion in 2000</td>
</tr>
<tr>
<td><strong>OVP</strong></td>
<td>Gradual weakening since the early 1980s, more rapidly since the early 1990s</td>
<td>Continued minority position in government in the early 1990s</td>
</tr>
</tbody>
</table>

*Notes: Judgmental data for contextual challenges based on indicators provided by section 3.2.1 (austerity) and section 4.2 (de-industrialization and secularization). Aut refers to Austria, Ger to Germany and NL to Netherlands.*
To be more precise, secularization caused a large decline in the vote-share of Dutch confessional parties from the late 1960s on and led to fear amongst denominational politicians to lose their dominant position in office. This triggered the merger into the CDA in 1980, a party with a marginalized traditionalist wing. Austerity reinforced the ability for pragmatists to push through pension cuts in a coalition with the liberals from 1982 to 1989. In response to the by then pivotal position of the CDA in the Dutch party system, pragmatic politicians also came to dominate the social democratic party after the party firmly remained on the opposition benches in 1986, despite significant electoral gains. Studies were written, but the former party leader just had no answer on how to cope with austerity and post-industrial social risks. Finally, it was questionable how a strategy appealing to the party’s core constituents could be implemented when this clientele was only shrinking against a background of de-industrialization.

In line with my propositions, intraparty dynamics thus clearly take place against a background of contextual challenges. However, table 12.1 indicates that both the degree and the pace of austerity, secularization and de-industrialization do not perfectly coincide with a change in the composition of dominant coalitions. This can reasonably be restated as austerity is a necessary, though not sufficient condition for pragmatists to become dominant within social democratic and Christian democratic parties. The same applies for de-industrialization in the case of social democracy and for secularization in the case of Christian democracy.
Table 12.2 Pension reforms and the position of traditionalists, 1982-2006\textsuperscript{1}

<table>
<thead>
<tr>
<th>Country</th>
<th>SPO-FPO</th>
<th>SPO-ÖVP</th>
<th>SPO-ÖVP</th>
<th>ÖVP-FPO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Small cuts</td>
<td>- Small cuts</td>
<td>- Moderate cuts</td>
<td>- Severe cuts</td>
</tr>
<tr>
<td></td>
<td>- Some expansion of old age pensions</td>
<td>- Some expansion of ALMPs</td>
<td>- Expand child-credits and some ALMPs</td>
<td>- Introduce and promote private pensions</td>
</tr>
<tr>
<td></td>
<td>- Expand early pensions</td>
<td>- Expand and introduce early pensions and child-credits</td>
<td>- Some expansion of ALMPs</td>
<td>- Some expansion of child-credits and benefits for manual workers and lower-income groups</td>
</tr>
<tr>
<td><strong>Position of Traditionalists</strong></td>
<td>Very strong in SPÖ</td>
<td>Very strong in SPÖ</td>
<td>Strong in SPÖ</td>
<td>Moderate in ÖVP</td>
</tr>
<tr>
<td></td>
<td>- Small cuts</td>
<td>- Moderate cuts</td>
<td>Retract cuts</td>
<td>- Severe cuts</td>
</tr>
<tr>
<td></td>
<td>- Expand early pensions and ALMPs</td>
<td>- Expand child-credits</td>
<td>- Introduce and promote private pensions</td>
<td>- Expand ALMPs and child-credits for parents with part-time work or low earnings</td>
</tr>
<tr>
<td><strong>Position of traditionalists</strong></td>
<td>Strong in CDU</td>
<td>Quite strong in CDU</td>
<td>Strong in SPÖ</td>
<td>Weak in SPO</td>
</tr>
<tr>
<td></td>
<td>- Severe cuts</td>
<td>- Severe cuts</td>
<td>- Severe cuts in first term</td>
<td>- Severe cuts</td>
</tr>
<tr>
<td></td>
<td>Partial exception: lower-income groups</td>
<td>- Expand occupational pensions and introduce private pensions</td>
<td>- Expand ALMPs</td>
<td>- Introduce and promote private savings scheme for leave periods</td>
</tr>
<tr>
<td><strong>Position of traditionalists</strong></td>
<td>Weak in CDA</td>
<td>Very weak in CDA</td>
<td>Weak in PvdA</td>
<td>Very weak in CDA</td>
</tr>
</tbody>
</table>
We can now try to improve our understanding of pension reform patterns from the early 1980s to 2006. Table 12.2 portrays a summary overview of the empirical findings. The table shows that distinguishing the position of traditionalist (vis-à-vis pragmatists) within social democratic and Christian democratic parties helps to improve our understanding of reform patterns. As long as the internal position of traditionalists was strong, parties reformed in line with expectations derived from power resources theory. In Austria, for instance, power resources theory shed much light on pension reform until 1996. Cuts were small and we have seen some expansion of old age pensions and, in particular, early pensions. This can be explained by the fact that Austria had been governed by a coalition between social democrats and Christian democrats from 1987 to 1999. Both parties had strong ties with trade unions in comparison to their German and, in particular, Dutch sister parties. Due to resistance from unionists in parliament, pension retrenchments failed in 1995, despite a spectre of intensified austerity. Afterwards, we witnessed a reinforced trend of a weakening of influence of trade unionists within the two parties at the expense of more liberal and business-oriented politicians. This trend was strongest within the Christian democratic party where the business league became the dominant faction, and accelerated when the former business league chairman became party leader in 1995 - after the ÖVP had undergone strenuous debates over how to improve the “dismal situation” of a hardly visible minority party in government.

As soon as the position of traditionalists is weak, however, the meaning of “social democracy” and “Christian democracy” fundamentally alters, and the power resources school no longer help to explain welfare development. From then on, table 12.2 indicates that parties matter in rather different ways as pragmatic politicians embrace pension retrenchment and market-liberal reforms. As we have seen, the division between pragmatists and traditionalists cuts across social democratic and Christian democratic parties. An important implication is that these groups actually strengthen one another.

Germany is a case in point. Until the late 1980s, traditionalists had a strong position within the CDU and pension reforms had mainly been negotiated by politicians with a background in trade unionism. As such, reforms were commonly supported by an informal grand coalition between the CDU-CSU and the SPD, and
often went against the preferences of pragmatists within the two parties and against the demands of the FDP, the coalition partner of the CDU-CSU. Especially since the early 1990s, however, the spectre of austerity intensified and the pension consensus between the SPD and the CDU-CSU broke down. This further contributed to the weakening of the CDU’s employees’ wing. Afterwards, reforms were pursued that usually went against the preferences of Christian democratic traditionalists. Nonetheless, the social minister – a trade union member and former chairman of the CDU’s employees’ organization – managed to prevent more severe pension retrenchment as demanded by the FDP, radicalizing employers’ associations, the CDU’s business wing and other CDU politicians with more pragmatic orientations.

As to the SPD, the pragmatic Schröder became chancellor candidate in 1998, since his electoral popularity in his home state and the polls foreshadowed the way back into government as the dominant party. Despite the fact that Germany had been facing a more austere environment than Austria and the Netherlands since the early 1990s, the SPD actually retreated pension cuts until traditionalists within the party were marginalized by mid-1999. Afterwards, the SPD’s pragmatic dominant coalition relied on the consistent backing by a pragmatic wing in the Greens and formed an informal grand coalition with the CDU. Despite opposition from the unions and the party’s left wing, pragmatic SPD politicians accordingly pushed through severe cuts, while introducing and promoting private old age pensions. Accordingly, the red-green government implemented a more market-liberal reform agenda than their Christian-liberal predecessors.

_Failure to Dominate Government as a Catalyst: Why Christian Democrats Said Farewell to Famialism in Germany and the Netherlands but Not in Austria_

In family policy, my key proposition was that, against a background of secularization and women’s emancipation, failure to dominate government is the catalyst triggering a coalition of equal right supporters to become dominant within a Christian democratic party. Table 12.3 portrays a summary overview of the empirical findings on family policy. The table shows that equal right supporters have become dominant in the CDA and the CDU-CSU. In line with my proposition, this occurred at a background of secularization and increasing women’s emancipation. Since the early 1990s, the Dutch society has the highest degrees of secularization and lowest levels of
support for the male breadwinner model. Female employment rates have increased gradually since then and remain at about the same level as in the other countries. Though Western Germany witnessed very gradual secularization and gradual increases in women’s emancipation, unification implied the political entry of people raised in a country with the lowest numbers of church attendance and the highest levels of women’s emancipation in comparison to Austria, the Netherlands and Western Germany. As such, not even the most loyal church going voters could prevent the electoral decline of the CDA and the CDU-CSU by the mid-1990s.

Table 12.3 Change within parties in family politics

<table>
<thead>
<tr>
<th></th>
<th>Position of familialists</th>
<th>Catalyst</th>
<th>Contextual challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>PvdA</td>
<td>Not relevant</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CDA</td>
<td>Gradual weakening since the early 1980s, rapidly since 1994</td>
<td>Government exclusion in 1994</td>
<td>Quite rapid secularization - since mid-1960s most secularized</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Catch-up in female employment – since 1990 about the same as in West Ger and Aut</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Decline in support for male breadwinner model – lower than West Ger and Aut</td>
</tr>
<tr>
<td>SPD</td>
<td>Not relevant</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CDU-CSU</td>
<td>Gradual weakening since 1989, rapidly since 1998</td>
<td>Government exclusion in 1998</td>
<td>Quite rapid secularization due to unification. Since then, closer to NL than Aut</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Gradual rise in female employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hardly declining support for male breadwinner model in West Ger – together with Aut highest support but East Ger lowest support</td>
</tr>
<tr>
<td>SPÖ</td>
<td>Not relevant</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ÖVP</td>
<td>Very strong</td>
<td>-</td>
<td>Very gradual secularization – least secular</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Gradual rise in female employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hardly declining support for male breadwinner model – together with West Ger highest support</td>
</tr>
</tbody>
</table>

*Notes: Judgmental data for contextual challenges based on indicators provided by section 4.2 (secularization, female employment and support for the male breadwinner model).*
This situation contrasts sharply with their sister party in Austria. Here, both secularization and women’s emancipation occurred at a slow pace and to a much lesser degree. In other words, the ÖVP faced much more limited contextual challenges in family policy than the CDA and the CDU. After the SPÖ formed a coalition with the ÖVP in 1986, the Christian democrats were hardly visible in government and increasingly lost ground to the populist right-wing FPÖ. This did trigger a coalition of pragmatists to become dominant by 1995. However, leading politicians within both the FPÖ and the ÖVP continued to embrace the traditional family ideal, a strategy that makes sense in a virtually homogenous Catholic society. Accordingly, the change in government from a SPÖ-led grand coalition to the ÖVP-FPÖ government in 2000 implied a much stronger orientation towards famialism, despite increasing fiscal austerity.

Indeed, table 12.4 suggests that power resources theory has done a good job in explaining reforms of family policy in Austria, and continues to do so. Between 1983 and 1986, the SPÖ dominated the “5 percent party” the FPÖ in government and its female women’s ministers implemented several policies supporting working mothers. However, family policy was one big compromise in the era of the grand coalition. For example, SPÖ women stood at the frontline in pushing through a leave year for fathers, while most within the ÖVP obstructed an expansion of child care. The lowest common denominator was the expansion of transfers, but even here we saw a focus of the SPÖ on lower income groups while the ÖVP supported families in general.

The Dutch and German case studies have shown that secularization and increased women’s emancipation can be considered necessary, though not sufficient, conditions. In Germany, famialists dominated the CDU and its male and female family ministers implemented several policies in line with these preferences from 1982 to 1998, despite secularization and increased women’s emancipation. Notable examples involve the decision to make paid available for all mothers rather than working mothers replacement and the introduction of pension rights for mothers in general. The exception to the rule is the establishment of the right to child care for each child between three and six in 1992. Here, women’s minister Angela Merkel, a former Eastern German physicist who was not a regular churchgoer, played a key role. Nonetheless, Merkel and likeminded supporters of equal rights across partisan stripes were not able to push through more expansions for working mothers with a Catholic majority in parliament.
Table 12.4 Family policy and the position of familialists, 1982-2006

<table>
<thead>
<tr>
<th>Country</th>
<th>Party/Alliance</th>
<th>Period</th>
<th>Position of familialists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td><strong>SPÖ-FPÖ</strong></td>
<td>1983-86</td>
<td>Not relevant</td>
</tr>
<tr>
<td></td>
<td>Promote working mothers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exception: expand transfers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>SPÖ-ÖVP</strong></td>
<td>1986-1999</td>
<td>Very strong in ÖVP</td>
</tr>
<tr>
<td></td>
<td>Promote traditional family</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>ÖVP-FPÖ</strong></td>
<td>2000-2006</td>
<td>Very strong in ÖVP</td>
</tr>
<tr>
<td></td>
<td>Promote traditional family</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td><strong>CDU/CSU-FDP</strong></td>
<td>1982-1998</td>
<td>Strong in CDU</td>
</tr>
<tr>
<td></td>
<td>Promote traditional family</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exception: 1992 expansion of child care and non-adjusted parental leave benefit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>SPD-Greens</strong></td>
<td>1998-2005</td>
<td>Not relevant</td>
</tr>
<tr>
<td></td>
<td>Promote working mothers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exception: expand transfers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>CDU/CSU-SPD</strong></td>
<td>Since 2005</td>
<td>Weak in CDU</td>
</tr>
<tr>
<td></td>
<td>Promote working mothers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exception: expand transfers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td><strong>CDA-VVD</strong></td>
<td>1982-1989</td>
<td>Strong in CDA</td>
</tr>
<tr>
<td></td>
<td>Promote traditional family</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exception: steps towards equal rights in social insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>CDA-PvdA</strong></td>
<td>1989-1994</td>
<td>Quite strong in CDA</td>
</tr>
<tr>
<td></td>
<td>Promote traditional family</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>PvdA-VVD-D66</strong></td>
<td>1994-2002</td>
<td>Not relevant</td>
</tr>
<tr>
<td></td>
<td>Promote working mothers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Center-right</strong></td>
<td>2002-2006</td>
<td>Weak in CDA</td>
</tr>
<tr>
<td></td>
<td>Promote working mothers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The situation within the CDU changed when the party lost office in late 1998 and suddenly found itself in a phase of identity seeking. By then, Merkel became the party’s general executive and, one and a half year later, the party leader. Once the CDU returned to office in 2005, chancellor Merkel and the likeminded Christian democratic family minister implemented several policies supporting employed mothers. Whereas the SPD embraced the proposals, several politicians within the CDU and, in particular, the CSU still supported the nuclear family and vehemently protested against the reforms. Nonetheless, they were overpowered by equal right supporters in the CDU by now, though they did manage to get some expansions of transfers as side-payments.

A more or less similar process occurred in the Netherlands a few years earlier. Here, a dominant coalition of famialists in the CDA had blocked expansions of child care throughout the 1980s against the resistance of some (male and female) equal right supporters in the party. Famialists in the CDA also played a key role in watering down child care legislation proposed by the female PvdA minister of well-being and the female PvdA under-minister of social affairs. Nonetheless, some expansion was legislated upon and these women also managed to introduce parental leave for working mothers. As such, family policy of the Dutch grand coalition between 1989 and 1994 was about as much a compromise as in Austria by then, despite secularization and increased women’s emancipation.

Afterwards, the CDA, like the CDU, found itself in a sudden phase of identity seeking once its lost office in 1994. By then, liberals and social democrats may have found themselves in a seemingly unusual coalition, but both supported equal opportunities – though the liberals generally preferred a smaller role for the state than the social democrats. As such, the period between 1994 and 2002 saw several expansions for working mothers proposed by female PvdA parliamentarians and supported by the male PvdA social ministers. Once the CDA returned to office, however, equal right supporters had become dominant and the party opted for expansions in child care and leave rights for working mothers.
12.2 Relating the Findings to Explanations of Welfare State Change

Given that the propositions have endured the first evaluation, it is worthwhile to turn to the implications for the comparative welfare state literature. We have seen in the theoretical framework that current dominant theories of welfare state development – Pierson’s new politics thesis and the power resources approach – are useful in explaining why welfare states tend to stay the same or change in gradual steps. Indeed, they are best suited to explain why politicians within traditional welfare parties may shy away from unpopular reforms of major, expansive schemes like pensions. There is no doubt that some of their motivations for doing so, whether related to electoral or institutional reasons, as Pierson argued, help to explain the limited retrenchment in pensions in Austria and Germany until the mid-1990s. In addition, the social democratic prime minister Kok refrained from retrenching pensions once the Dutch economy was booming in the second half of the 1990s. Furthermore, retrenchment efforts by traditional welfare parties contributed to mass protests and electoral defeats in all three countries.

Yet, for all its merits, the new politics approach with its focus on limited retrenchments cannot explain expansion and institutional path-departures in family policy. As such, pensions rather than family policy offer a primary example of the popularity and the associated political costs of welfare reform in an age of austerity, as stressed by the new politics perspective. Governments do not reform the welfare state, they initiate reforms of pensions, family policy, etc. As Clasen (2005) reminds us, within a context of expansion, family policy leaves parties much more of an ‘open field’ and thus choice for designing new types of public policy than Pierson’s new politics thesis allows for.

At the same time, Pierson, like power resources theory, faces difficulties in explaining the large number of reforms in pensions and family policy. And both fail to account for institutional path-departures which are becoming more common from the late 1990s on. Both would explain more if they spelled out how politicians from traditional welfare parties may actively promote reforms, as my framework does. In addition, I concur with Stiller (2007) who poses that current dominant theories of welfare development need to specify the conditions which facilitate reform. In fact, this book has spelled out some key conditions by pointing at the importance of specific contextual challenges and the potential of a situation of failure to dominate
government in triggering a critical reflection period and, subsequently, a change in a party’s dominant coalition composition. The latter has major consequences for a party’s policy preferences. Yet, as long as we follow the new politics thesis and power resources theory in assuming unitary actors with the corollary of preference homogeneity among politicians, our results are misleading at best or plainly wrong.

12.3 Relating the Findings to Theories of Party Organizations and Party Behavior

Though several competing theories have been taken to explain party organizational change, this book has built on the work of those who have participated in the discrete change approach (Panebianco 1988; Harmel and Janda 1994). Unlike schools focusing on either contextual or internal factors, the discrete change approach contends that both the party context and intraparty politics have roles to play in explaining party organizational change. As such, Panebianco’s strongest claim probably is that when neither contextual challenges nor internal preconditions are present, organizational change will not take place. My analysis supports this approach and has actually made it relevant for social policy by showing that changes in dominant coalition composition take place against a background of specific contextual challenges which are necessary, though not sufficient, conditions.

Indeed, the discrete change approach - like theories on social learning - perceives parties as being essentially conservative organizations that tend to resist change. However, parties are most likely to change once an external stimulus occurs that is linked to a party’s primary goal. A prominent view in the literature on large, competitive parties is that at least parties of that type tend to be most responsive to electoral defeats (Wilson 1989; Harmel et al 1995; Janda et al 1995). However, the social democratic and Christian democratic parties analyzed here are primarily office-seekers. As such, the catalyst for change in a party’s dominant coalition composition has to be understood in the light of performance regarding participation in government. A case in point is the turbulent period of the CDA between 1994 and 2002 which resulted in studies in series labeled ‘desert period’ and ‘tired of waiting’.

The importance of office-seeking behavior can be further illuminated by offering illustrations of conflicts and trade-offs between party goals. The parties analyzed here offer a wide variety of goal conflicts. Following Müller and Strom (1999), I suggest to divide goal conflicts into three general categories. One situation in which dilemmas arise is where office ambitions conflict with vote-seeking
objectives. In the cases of the CDU and the SPÖ in the 1990s, for instance, subsequent electoral defeats were condoned, since these parties were able to maintain a dominant position in office. Other parties have faced remarkably similar dilemmas and responded in comparable manners. Examples include losses of parties like the PvdA in 1994 and 2006, the ÖVP in 1999 and 2006, and the SPD in 2002. Instead, SPD leaders and chancellor candidates had to make room for new leading figures throughout the 1990s, despite consistent electoral gains.

A second type of goal conflict is where parties face hard choices between their policy commitments, on the one hand, and their present or future (via elections) prospects of government participation on the other. For all parties, I have witnessed conflicts between those with a traditionalist orientation in pension policy (including many trade unionists) and pragmatic, office-seeking leaders trying to move the party towards the political centre so that it will occupy a more pivotal position in the electoral system. Likewise, supporting equal rights clearly went against the preferences of many within the CDA and the CDU throughout the 1990s, and caused highly value-loaded debates which were postponed until their exile in opposition. In the end, however, these parties said farewell to familialism.

Finally, there are cases in which the control of office has been available only at the expense of both the party’s electoral fortunes and its policy agenda. The situation facing the ÖVP and the SPÖ in the 1990s represents such an example. For the SPÖ, the price of a continued grand coalition included a more restrictive pensions scheme and, in the case of the ÖVP, a lack of visibility in defending the traditional family ideal. By the time of the 1999 elections, considerable shares of the social democratic and Christian democratic electorate had been lost to the FPÖ, and the SPÖ was even excluded from office. Parties like the PvdA in 1991, the CDU in 1997 and the SPD in 2005 faced comparable situations. For these parties, government participation was sacrificed for cuts in pensions and considerable electoral declines. All such cases are horror stories concerning the costs of office pursuit.

But does the emphasis on office-seeking imply that parties no longer care about policy? Such a conclusion would be premature at best. In fact, there is disagreement in the coalition theory literature between ‘office as and in itself’ and ‘policy as an end in itself’. The professed goal of winning office may be pursued as a means of influencing policy. Notably, the policy-seeking model challenges the assumption that all parties are equally feasible coalition partners, that is to say, that
parties are indiscriminate with respect to their coalition partners. Indeed, there is ample evidence that such an assumption does not hold in practice.

In the Netherlands, for example, the 1982 election enabled the pragmatic CDA party leader Ruud Lubbers to join forces with the VVD rather than the PvdA. By contrast, traditionalists within the CDA were in favor of a coalition with the PvdA. Likewise, the formation of a government between the ÖVP and the FPÖ in 1999 met considerable criticism from traditionalist Christian democrats. What is more, recent coalition talks between social democrats and Christian democrats in all countries analyzed here have proved long and difficult due to the fact that Christian democrats have moved somewhat further in a market-liberal position. As to family policy, leading politicians within both the FPÖ and the ÖVP embraced the traditional family ideal in 1999. This clearly facilitated the coalition negotiations on family policy. By contrast, negotiations with the SPÖ proved difficult due to its continued support for equal rights and the lack of support for pension cuts. In Germany, we have even seen several informal grand coalitions in the field of pensions and family policy.

Yet, if a party would be purely policy-seeking, its behavior would run counter to our empirical findings that highlighted the importance of office-seeking behavior. This is because pure policy-seeking can not be explained in terms of aspirations to gain office. Instead, party behavior should be aimed at maximizing policy objectives, even if this means sacrificing a cabinet position. Since this contrasts with my empirical findings, I concur with the majority of policy-oriented coalition theory that typically presents policy as a supplement to, rather than a substitute for, office-seeking. In other words, it is assumed that parties seek office, at least partly, for instrumental reasons, as a means to influence policy. Accordingly, a policy-seeking party is portrayed as one that seeks both cabinet portfolios and ideologically compatible coalition partners.

My analysis also supports theoretical considerations on multi-party systems elaborated elsewhere (Strøm et al 1994; Müller and Strøm 1999). Certain parties clearly faced difficult choices between office and policy more often than others. The spatial position of a particular party in an electoral system had an effect on its opportunity sets. Pivotal parties had a better chance of maximizing their office and policy goals. The CDA is a case in point. Because of its pivotal position, the CDA (or its Catholic predecessor) participated in all governments between 1918 and 1994. Once it opted for pensions retrenchment together with the liberal party, the PvdA
accepted retrenchment in order to regain office (cf. Green-Pedersen 2002). Yet, after
the office-seeking strategy had even enabled the social democrats to form a coalition
with their former liberal arch rivals, the CDA said farewell to the traditional family
ideal. Another example concerns the ÖVP from the mid-1990s until 2006. By then,
the ÖVP’s pivotal position enabled its pragmatic party leader Schüssel to threaten to
join a coalition with the FPÖ if the SPÖ did not accept retrenchment.

The Austrian example also hints at what probably is the most striking general
feature of a party’s competitive behavior and its policy preferences, namely the
importance of party elites in general and the party leader in particular. In many of our
cases, individual leaders and ministers committed their parties to behavior that
otherwise would not have been likely to occur, and often became the personification
of that behavior. With respect to Austria’s 1997 pension reform, for instance, the
SPÖ’s social minister argues that ‘if Schüssel had not ranted and raved at the GÖD,
we would not have seen a reform at all’ (interview). Further, in line with Panebianco
(1988), the empirical chapters have shown that more sweeping changes occur when
leadership change is accompanied by a change in the sociological composition of the
party’s dominant coalition. More specifically, I have supported the work by Laver and
Shepsle (1996) who argue that party leaders and internal party groups are likely to
attempt to affect policy outputs by selecting specific politicians for the cabinet
positions that are allocated to their convictions. With respect to German family policy,
for example, a CDU-insider posed that ‘programmatic renewal is for the greatest part
bound to persons. Without Angela Merkel and Ursula Von der Leyen, we would
never have had such a strong reorientation within our party’ (interview).

Incentives to seek office may also work at the top. In a democracy, party
leaders are the ones most likely to benefit from office. Therefore, it has often been
assumed that party leaders value office more than other strata of the party do, because
party leaders are the ones most likely to benefit from office. This assumption is
complemented by the belief that a more centralized the party organization makes it
easier for the party to remain in government. The reason lies in the ability of dominant
groups to impose themselves upon internal actors, channeling their strategies into
specific, obligatory paths (Panebianco 1988; Kitschelt 1994; Müller and Strøm 1999).

However, others assume that party leaders are motivated, above all, by the
desire to remain party leaders (Luebbert 1986; Maor 1997). This means that, for party
leaders who participate in government, it is more important to remain party leaders
than to remain in government. When intraparty conflict threatens their position, they will quit office rather than stay in government so as to remain party leaders. In short, party leaders will emphasize central features of party policy in order to minimize dissent within the party and secure their position. Broadly speaking, therefore, such a line of reasoning is driven by policy-seeking rather than office-seeking goals. Pushing this logic one step further, Maor (1997) argues that centralized parties are characterized by extreme rigidity in so far as policy-making is concerned, as they considerably limit their internal actors’ room for maneuver. Internal dissatisfaction can only be expressed outside the party through resignations of elites and party members, demonstrations of party members, and may even result in party disintegration. Finally, internal conflicts in a centralized party can lead to the break-up of coalition bargaining and the process of government formation, since such a party structure is less likely to resolve internal dissent. Hence, Maor questions the widespread belief that a more centralized structure makes it easier for the party to remain in a coalition.

In line with the most recent work on the organizations of large, competitive parties (Katz and Mair 1994; Harmel 2002), this book confirms Michel’s (1915) fears concerning the inevitability of oligarchy. The most spectacular example is the SPD, which saw the resignation of party leader and finance minister Lafontaine, and subsequently went through a radical reorientation from traditionalist policy benefits to pragmatic, office-seeking benefits. This reorientation went hand in hand with personnel and organizational changes that helped Schröder to strengthen his internal position. Just before the 2002 elections, however, unemployment skyrocketed and the SPD’s re-election chances vanished in the polls. In this situation, Schröder skillfully exploited the approaching campaign and used his weakness in the polls as a source of strength. Knowing the price of failure to dominate government in his party and realizing that this might be his last chance to do so, Schröder made the decision to set up the Hartz commission. After the SPD had managed to maintain its dominant position in government, the chancellor’s office monopolized the development of the so-called Agenda 2010. Schröder’s threats to resign as chancellor and party leader eventually led the SPD to accept ‘the most comprehensive welfare retrenchment in postwar Germany’ (Trampusch 2005: 3). Yet, it also impelled 100,000 leftist party members to leave the party. Moreover, the relationship between the SPD and the DGB was at an all time low. Consequently, a leftist faction of dissident SPD politicians and trade unionists formed an electoral alliance with the former Eastern
German socialist party. The alliance was led by Lafontaine and became the winner of the 2005 election. But the SPD’s centralized structure in combination with a pragmatic course still enabled the party to remain in government.

In agreement with Maor, the other chapters on pensions have also shown that parties’ centralized structures lacked the mechanisms necessary to adjust dissent among its members. In other words, many social democratic and Christian democratic constituents participated in mass demonstrations in response to pension cuts, quit their membership, threatened to found a new leftist party or opted for populist parties, whether on the left or on the right of the political spectrum. However, in contrast to Maor’s expectations, the empirical chapters have also shown that more centralized party organizations helped party leaders to pursue office-seeking strategies and to push through welfare reforms.

12.4 Relating the Findings to Theories on Ideas and Learning

The previous section already concurred with the majority of policy-oriented coalition theory that that parties seek office, at least partly, as a means to influence policy. This brings us close to a key debate in the social sciences about the relevance of interests and ideas. Notably, those focusing on ideas have stressed the importance of policy-seeking behavior (Stiller 2007). However, Heclo’s (1974) seminal work on learning reminds us that we also have to focus on powering among competing interests.

Indeed, knowing people’s backgrounds in interest groups helps in deriving individual policy preferences. In Austria, I found that politicians representing the ÖVP’s business league had pragmatic orientations. The same can be said about Austrian, Dutch and German key politicians (party leaders, prime ministers, social ministers and finance ministers), whether social democrats or Christian democrats, who were representatives of business associations and/or had a background in economics, finance, business and law. Moreover, virtually all trade unionists had traditionalist orientations. The three exceptions to the rule were Wim Kok (PvdA, finance minister 1989-94, prime minister 1994-2002), Walter Riester (SPÖ, social minister 1998-2002) and Aart Jan de Geus (CDA, social minister 2002-2006). Hence, knowing politicians’ backgrounds in interest groups increases the likelihood that we are able to say whether they have pragmatic or traditionalist preferences. In the case of those representing trade unions and employer federations, one can point at the
subsequent electoral reward when they represent members’ interests. However, in the case of politicians having pursued a career in economics, finance, business and law, having pragmatist orientations rather seems to be a matter of socialization.

Knowing people’s backgrounds is a major part of the story, but not the end of the story. Schröder and Lafontaine, for instance, had diverging orientations and comparable backgrounds outside the unions. Another example concerns a public quarrel in the mid-1990s between the vice-chairman of the metal union, Riester, on one side and a colleague from the metal union on the other. Here, Riester argued that cuts in pension benefit levels were inevitable due to demographic challenges.

This suggests that we cannot always derive interests from people’s membership of organizations and that people have different ideas. Especially in the field of family policy, it is difficult to deny the relevance of beliefs. Discussions between those supporting working women and those promoting the traditional family ideal are often highly value loaded, since these not only involve the politicized matter of how to distribute money but also the private and normative issue of how one should raise children. Here, one can still point at the relevance of interests, because such discussions are very likely to partly reflect Christian democrats representing their churchgoing constituencies and social democrats appealing to working women. On the other hand, it would be extremely opportunistic if someone would join an equal-rights feminist movement with the ambition of becoming a social democratic politician. Likewise, it is difficult to imagine that someone starts to adhere to a certain religious belief in order to eventually obtain votes for a Christian democratic party. In short, only people who care about “good” policy are likely to become politicians in the first place (Laver 1997).

Moreover, in an increasingly fragmented and heterogeneous society, it becomes more and difficult for parties traditionally organized along class and religious cleavages to identify whose interests they are supposed to represent. Especially inside the CDA and the CDU-CSU, for example, several Catholic and Protestant politicians (often but certainly not always women) were more inclined to support equal rights rather than the nuclear family, while others (often men) continued to promote the traditional family ideal. We have seen that parties did not respond mechanically to contextual challenges like secularization. These challenges critically informed policy reform, both constraining certain policy responses, while opening up others. However, theories on ideas and social learning stress that contextual
challenges do not instruct party elites under conditions of high levels of uncertainty over their relative weights, intensity and scope. Rather, contextual challenges inform purposive and deliberate policy responses, which are shaped by the normative predispositions of key policy actors and their cognitive interpretations of evolving social and economic conditions.

Actors may thus adjust their policy preferences. A notable example concerns chancellor Schröder who admitted that he ‘needed some time to assess the societal relevance of family policy correctly… It became clear to me – especially during conversations with Renate Schmidt – that parents need more as simply only higher child allowances, they need a better child care infrastructure so that mothers, but also fathers, can reconcile work and family life. Because never before has there been a generation of so highly qualified women… For companies, which will have difficulties in finding qualified personnel within a few years, these women are also the qualified workforce of the future’ (Schröder 2006: 439-40).

Another example involves the alignment of the leader of the CDU’s youth union with the market-liberal course of the party’s federation of small and medium sized employers in 1989 - after he had become convinced that future generations had to pay increasingly more for current pensioners without building up anything for future pensioners. Finally, representatives of the Austrian Christian democratic employees’ organization went along with the proposal of the party’s business league to promote occupational pensions in 1990 - after a survey had shown that a majority of workers in general and civil servants in particular favored such measures.

However, the basic distinctions between the internal groups - identified here on the basis of core policy values - are quite stable over time. As to pension politics, the available data allowed us to trace back that Wolfgang Schüssel (ÖVP, Austrian chancellor 2000-06) was already in favor of expanding private schemes and reducing the role of the welfare state by the early 1980s. Moreover, Ruud Lubbers (CDA, prime minister 1982-98), Wim Kok and Gerhard Schröder (SPD, German chancellor 1998-2005) had already advocated a more pragmatic position in the 1970s. The same continues to apply to the current Dutch prime minister Jan Peter Balkenende (CDA) since at least the late 1980s. By contrast, others like Norbert Blüm (CDU, social minister 1982-98) and Oskar Lafontaine (SPD, finance minister 1998-99) had more traditionalist orientations since at least the early 1980s, and continue to defend this position upto the day this study was written.
The same pattern can be found in family policy where Heiner Geissler (CDU, family minister 1982-85) and Elco Brinkman (CDA, party leader in 1994) had familialistic orientations since at least the mid-1970s and early 1980s, respectively. Moreover, we have seen that Marilies Flemming (ÖVP, family minister 1987-91) met laughter from fellow partisans when she insisted on an equal division of household tasks between men and women in the early 1960s. In this sense, time seemed to stand still, since several fellow partisans often perceived her as too liberal during her tenure as family minister. Finally, Angela Merkel (CDU) already defended equal rights by the early 1990s and continues to do so by now as chancellor. In short, party preferences change, but individual policy preferences are quite stable over time.

All in all, it has become increasingly difficult to identify partisan effects if we are not aware of changes in a party’s dominant coalition composition. We have seen that “social democracy” and “Christian democracy” can mean different things across time, space and policy domain. Since all social democrats in principle embrace equal rights in family policy, identifying the preferences of Christian democrats is particularly difficult. Table 12.5 shows, for instance, that both Angela Merkel and Wolfgang Schüssel are pragmatists, but Merkel supports equal rights while Schüssel favors familialism. On the other hand, Schüssel’s fellow partisan Fritz Neugebauer (GÖD chairman since 1991) is a traditionalist who embraces familialism.

Table 12.5 Key politicians’ preferences in pensions and family policy

<table>
<thead>
<tr>
<th>Traditionalist</th>
<th>Pragmatist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geissler (CDU)</td>
<td>Brinkman (CDA)</td>
</tr>
<tr>
<td>Neugebauer (ÖVP)</td>
<td>Schüssel (ÖVP)</td>
</tr>
<tr>
<td>Hostasch (SPÖ)</td>
<td>Melkert (PvdA)</td>
</tr>
<tr>
<td>Lafontaine (SPD)</td>
<td>Merkel (CDU)</td>
</tr>
</tbody>
</table>

Obviously, I am not alone in arguing that that there is a need for more dynamic accounts of how politicians may seek to reform the welfare state against a background of changing contexts. Notably, the strength of the literature on European social policy lies in helping to offer a more dynamic account of welfare development by recognizing the increasingly important role of the EU. In Austria and Germany, for instance, aspirations to join the EMU necessitated quick reductions of the public
deficit by the mid-1990s and spurred pension retrenchments. Nowadays, the Stability and Growth Pact continues to constrain the abilities of governments in EMU member states to run deficits. A notable example concerns the support of European finance ministers for the largest pension retrenchment in Austria’s history, the 2003 reform.

To be sure, EMU constrained traditionalist policy responses, but it also provided opportunities for pragmatic domestic politicians to bypass national political stalemate or joint decision traps by arguing that ‘Europe made us do it’. Likewise, the EU’s parental leave directive of June 1996 strengthened the hands of equal right supporters. The directive was the result of negotiations between the European social partners, whereby the Austrian and German trade union representatives had successfully demanded an individual right to parental leave for male and female workers. In Austria, trade unionists in parliament then actually used the transposition of the directive as an opportunity to press for more far-reaching reforms than could be expected from a government in which the ÖVP participated. In the Netherlands, social democrats had already provided for an extension of a parental leave scheme to all employees. By contrast, the directive, with its emphasis on equal opportunities, was still totally at odds with the policy preferences of most politicians within the CDU and CSU. Therefore, the Christian-liberal coalition refused to implement the directive. Since the policy preferences of the SPD went hand in hand with the directives’ general thrust and recommendations, compliance with the directive was only accomplished after the red-green government came to power.

Like binding legislation, agenda-setting also is a two-way process, requiring the involvement of interest groups and politicians at both the domestic and the EU level. However, many scholars are sceptical about the impact of “soft” law in shaping welfare reform. The common argument is that actors do not care about “soft” law as it not legally binding and, hence, does not provide incentives to follow suit (e.g. Schäfer 2005). Indeed, respondents never replied that the EES or the OMC had (partly) inspired their decisions, despite the fact that this question was a standard element of the semi-structured interviews. Admittedly, policy makers like to claim ownership for new legislation, especially if these are considered “good” policies, and are thus unlikely to admit that they have “learned” from others. In agreement with Visser (2005), I find that actors are very selective in what they learn from Europe and use “soft” law as catalysts or ‘selective amplifiers’ for national reform strategies,
increasing the salience and urgency of particular issues and policy approaches, which had already been familiar domestically, at least among certain actors.

There is evidence of selective use amongst pragmatists and equal right supporters in particular. In the Netherlands, the EES was openly endorsed and promoted by social minister Melkert (PvdA) at both the national and the European level. His colleague De Geus (CDA) later legitimized a proposal developed in 2001 to abolish fiscal incentives for early retirement schemes by referring to the EES’ ambition of April 2003 to increase the effective average exit age from the labor market from 60 to 65 at the EU level. In Germany, pragmatic politicians legitimized pension cuts by referring to the OMC on pensions, while trade unions actually complained that the pension reforms implemented by the red-green government were merely aimed at improving financial sustainability, and neglected other ambitions of the OMC on pensions, like reducing poverty risks and adapting pension schemes to changing societies and labor markets.

In family policy, legislation passed by the ÖVP-FPÖ cabinets went against the EES’ focus on equal opportunities, but frustrations about EU sanctions against Austria weakened policy makers’ attention for the OMC in general. By contrast, German family minister Schmidt (SPD) posed that the EES’s 2003 child care targets helped her to justify expansions in this field, but she also argued that this did not lead to a policy shift amongst those promoting the traditional family. Her colleague Von der Leyen (CDU) even exceeded the ambitions of the social democrats from 2005 on. At a childcare summit in April 2007, the government, the Länder, and the local communities then committed themselves to reach the EES’s child care targets.

In closure, it is important to return to some of this book’s key assumptions that go against current dominant theories in comparative welfare studies, but unite social learning theories and the role of ideas literature with analyses on party organizations and party behavior, namely the assumption of reflective, boundedly rational agency. Actors are reflexive insofar as they can envision alternative processes and outcomes in response to changing social, economic and political contexts. As we have seen, these design alternatives not only depend on interests and office-seeking goals, but to be politically palatable they also need to match actors’ cognitive and normative orientations. Furthermore, abiding by Simon’s (1957) notion of bounded rationality, social learning theories describe a complex world with great uncertainty about the most appropriate means to an end. Drawing on Heclo (1974), I have shown that party
elites seek power in their own party and within government, but also puzzle about how to gain a dominant position in government and how to reform the welfare state.

I found some clear-cut cases of misinformation and misperception with respect to social policy options. In the early 1980s, for example, it seemed sensible for social democrats and Christian democrats to use early retirement as a means to combat high unemployment levels and to “open up” job opportunities for younger workers. With the benefit of hindsight, Ney (2004) labeled this an ‘inherent design fault’ and over time both social democrats and Christian democrats have severely retrenched early retirement options across all three countries. Yet, policy actors cannot have all the information. In the Netherlands, the confrontational course of pragmatic CDA-politicians in the early 2000s obstructed ongoing efforts of the social partners to retrench early retirement schemes, while the overconfident government had to swallow the demands of the unions in the end. In Austria and Germany, both chancellor Schüssel and Schröder had been warned by leading economists that sweeping labor market reforms could not be reached without the consent of the unions. Yet, both decided to continue a confrontational course, and both underestimated the political clout of the unions and political allies. This eventually even triggered a loss of their party’s dominant position in government.

Similarly, electoral strategies of other social democratic and Christian democratic included some clear-cut cases of misinformation and misperception by the leaders. For instance, PvdA leader Den Uyl had false hopes concerning the electoral viability of the polarization strategy as the Christian democrats remained pivotal in the Dutch party system. In fact, the pensions blunder by CDA leader Brinkman played a crucial role in enabling the PvdA to become pivotal. Strangely enough, PvdA leader Bos virtually mimicked this mistake in the 2006 election and ruined his chance to become prime minister. In her turn, CDU leader Merkel had false hopes concerning the electoral viability of a strategy in line with the “national interest” by backing the red-green government’s harsh socio-economic policies. Episodes in the history of our social democratic parties can be read from the same perspective. In all cases, these parties wanted to attract a new segment of the electorate by disproving the belief that they were “spendthrift”. And all eventually paid a high electoral price for their failure to calculate voter reactions.
In other cases, party leaders misperceived the intentions of other politicians, with equally dire consequences. Oskar Lafontaine regretted that he had nominated Gerhard Schröder for the chancellorship after the latter aimed for pushing through a more pragmatic course in social security. In his turn, Schröder underestimated Lafontaine’s political clout in the 2005 elections. Further, SPÖ party leader Victor Klima was not able to predict the moves of the ÖVP (and possibly those of the FPÖ) in the 1999 coalition negotiations. He ended up in shock after the party was suddenly compelled to the opposition benches for the first time in 29 years. On the other hand, as Müller and Strøm put it, ‘parties also occasionally succeed in spite of ex ante misgivings on the part of their leaders. Thus, although the Austrian Socialists’ decision to abandon government participation in 1966 led to an unprecedented series of successes in the 1970s and thus proved right, it is important to keep in mind that several distinguished leaders, including future party chairman Bruno Kreisky, read the situation quite differently and felt considerable apprehension about the prospects’ (Müller and Strøm 1999: 302-3).

Subsequently, Müller and Strøm proceed to ask under what conditions party leaders are likely to be susceptible to be victims of wishful thinking. Based on their insights, a few comments seem justified. All party leaders mentioned above had plentiful experience in hardball party politics. Hence, it cannot be a lack of experience. Furthermore, these examples have in common an assumption by party leaders that constituents would value “responsible” behavior in the interest of the national economy, even if this implied a deviation from the party’s ideal policy position (ibid: 303). Yet, above all, this book has shown that dominant coalitions within social democratic and Christian democratic parties have been victims of wishful thinking when their parties dominated government.
12.5 Policy Recommendations

Can political parties reform continental European welfare states in a socially acceptable, economically viable and politically feasible manner? This question has haunted policy makers over the last three decades and the gloomy picture painted by recent economic developments ensures that a major stress test lies ahead. In closure, I would like to argue that there is nonetheless room for optimism. The global economy shows signs of recovery and we have seen that, before the current financial crisis casted shadow, pension schemes in Austria, Germany and the Netherlands already were in the midst of a paradigmatic shift away from systems geared to income and status maintenance towards more universal, but activating and employment-friendly pension systems. In Germany and the Netherlands this was even combined with a paradigmatic shift in the direction of gender-neutral welfare states. Yet, the agenda of continental welfare reform remains unfinished in an era of austerity and new labor market risks related to employability and childbirth. This implies that policy makers need to make consistent efforts to justify new policies and their underlying normative principles. To endow policy makers with an agenda geared towards an affordable, employment-friendly welfare state that continues to ensure adequate social safety nets, I propose to adopt a life course perspective.

Obviously, I am not alone and certainly not the first in embracing such a perspective. Schmid (1995, 2008), Esping-Andersen and his collaborators (2002) and, in particular, Hemerijck and Eichhorst (2009) have built the fundament upon which my proposals build. As pointed out by Schmid, new labor market risks are related to employability and childbirth. Such risks are most notable when workers go through critical transitions in their working careers, like transitions from school or unemployment to work, within employment and from employment to caring or retirement. Elements contributing to high vulnerability during these transitions involve low skills in combination with age, gender, ethnicity and having children (see also De Gier and Van den Berg 2005).

My recommendations will not deliver solutions for all our social and labor market problems, once and for all. The more modest aim is to outline some of the ingredients required for welfare reform. A second aim is to sound a warning against the short sighted seduction of merely retrenching current welfare state efforts. Instead, many of my proposals concern social investments with a reasonable rate of return for
society and the economy. Under the current financial crisis, government debts rise, but social policies act as important anti-cyclical economic stabilizers. In the long run, however, the ability to ensure both social protection throughout the life course and confidence in the economy relies on sound public finances. As such, it is time to think through welfare state priorities.

Certainly, most people would agree that remedial policies for adults are a poor (and costly) substitute for interventions in childhood. Since youth with poor schooling or inadequate skills will become tomorrow’s precarious workers and are associated with inferior life chances, this is where it all begins. Households with limited resources can probably never be eradicated fully, but their relative share can be minimized. Moreover, considering the looming demographic challenge in Europe, we cannot afford major skill deficits and large school dropout rates. In addition, social and employment policies aimed at increasing skills and strengthening the quality of human resources serve as productive factors in today’s increasingly knowledge-based economies. In order to ensure that children will be life-long learners and meaningful contributors to their societies, a strong case can be made for universal educational efforts, including child care.

Child care facilities also help to spur women’s and lone parent’s paid employment, a key ingredient in any strategy to combat poverty in child families. Further, labor market participation stimulates economic growth, tax contributions, social inclusion, the development of skills and, in the case of women, gender equality in the allocation of opportunities, life chances and welfare outcomes. Where women’s activity rates are high in Europe’s advanced economies, this is also where we register above-average fertility rates. This (perhaps counterintuitive) cross-national correlation is driven by the fact that women in some countries have to postpone children and are compelled to settle for fewer children than desired as they are not entitled to policies that allow for combining work and care. Most notably, these policies include paid parental leave, flexible working times and affordable child care. Promoting such policies is crucial as women in continental Europe still constitute a large untapped labor reserve that can help narrow future old age dependency rates and reduce associated financial pressures. Moreover, women’s educational attainment on average exceeds men’s. As such, there exists a large, untapped productive reservoir. All this implies that policies aimed at reconciling work and care are, simultaneously, family- and society-friendly.
In light of a declining work force due to ageing, nobody can be left inactive (for long). Unemployment should be contained by generous, short term unemployment benefits combined with training. The latter does not only equip workers for being able to earn their income in the labor market, but also supports employers with a flexible and adequately skilled workforce, a workforce required in a context of fierce economic competition and rapid technological changes. Moreover, while breadwinner workers with quasi-tenured jobs are well insured, continental European welfare states still provide inadequate protection for vulnerable groups like young workers, women, older low skilled workers and immigrants. There is even evidence that the position of low-skilled is gradually deteriorating compared to better-skilled workers. One job is no longer enough to keep low-income families out of poverty. Labor market dynamics also indicate that employers prefer to invest in training of the already better educated part of their workforce between age 25 and 50. This reinforces the already high degree of segmentation of labor markets in continental Europe. At the same time, dismissal protection of permanent jobs tends to produce segmentation, while temporary, casual and part-time jobs are most likely to serve as stepping stones to permanent, full-time jobs where there is the least amount of job protection for the latter. Over the past two decades, the number of fixed-term contracts, self-employed and part-time workers has increased at the expense of permanent contracts. Most likely, labor markets will become ever more flexible. To maximize employment the challenge then is to combine increases in flexibility in labor relations by means of relaxed dismissal legislation with adequate social protection, targeted incentives that make work pay, training and the reorganization of centralized public employment services towards more decentralized, integrated one-stop shops.

As life expectancy increases and health indices improve, it will be necessary to keep older workers active for longer. A retirement age of 67 is called for. Delaying retirement is effective and equitable. It is efficient because it means more revenue intake and less spending. It is inter-generationally equitable since pensioners and workers sacrifice in equal proportions. We are getting healthier with each age cohort and the gap between old age and education is rapidly narrowing, so that elderly in the future will be better able than now to adapt with the assistance of job (re-)design, (re-)training and lifelong learning. Raising the retirement age should also be intra-generationally equitable. In this regard, it is important to maintain a general revenue
financed, basic pension with a price index guarantee for the future. Sustainable pensions will be difficult to arrive at unless we increase employment rates of older workers and settle for a retirement age of 67.

The basic pension brings me to back to the remark that the recommendations described above cannot solve all social and labor market problems. Notably, they cannot remedy all current and future welfare deficiencies. Therefore, some form of passive minimum income support is required for the truly needy. An unchecked rise in income inequality would worsen people’s life chances and return us to the Great Depression. As argued by Hemerijck and Eichhorst, today, globalization and the European internal market effectively put a break on the nationalist and protectionist temptation witnessed in the 1930s. Moreover, in sharp contrast to the deflationary contraction of the 1930s, we can nowadays observe an anti-deflationary macro-economic policy response in the OECD area. The key lesson of the Great Depression is that a Keynesian crisis should be met by an expansionary policy of anti-cyclical macro-economic management and a tightly woven social safety net. This lesson to match employment promotion with social protection should continue to stand tall (Hemerijck and Eichhorst 2009). Currently, it does so amongst Christian democrats and social democrats alike, though in different ways than we were used to.
Appendix: Interview Partners

Austria

*Bürger, Birgit* (scientific employee of the Economic Chamber’s department for social policy and health)


*Figl, Markus* (chairman of the ÖVP’s youth organization in Vienna from 2000 to 2006, political assistant of the second nationalrat president since 2006)


*Leitner, Andrea* (researcher specialized in women’s studies and social policy at the Institute for Advanced Studies in Vienna)

*Mcdonald, Peter* (scientific employee of the department for labor policy, social policy and educational policy at the ÖVP’s business organization)

*Mazal, Wolfgang* (professor in law on labor and social policy at the University of Vienna, director of the Austrian Institute for Family Research, chairman of the 2001 government commission on social efficiency)

*Moser, Bernhard* (researcher at the ÖVP’s scientific institute)

*Mum, David* (scientific employee in the GPA’s social insurance and health department)

*Moritz, Ingrid* (chairwoman of the Labor Chamber’s women’s and family department)

*Neumann, Thomas* (vice-chairman of the Economic Chamber’s department for social policy and health)

*Pelinka, Anton* (professor of political science and nationalism studies at the Central European University in Budapest, and director of the Institute of Conflict Research in Vienna)

*Reischl, Ingrid* (chairwoman of the GPA’s social insurance and health department)

*Rosecker, Michael* (researcher at the department of national politics and personal
development of the SPÖ’s scientific institute)

Silhavy, Heidrun (chairwoman of social democratic trade unions in the Chamber of Labor in Steiermark from 1990 to 1994, member of the SPÖ party executive since 1994, nationalrat member from 1994 to 2007, vice-chairwoman of the SPÖ’s parliamentary fraction and SPÖ social policy spokeswoman between 2000 and 2007)

Steibl, Ridi (Nationalrat member since 1994, ÖAAB vice-chairwoman since 1999, ÖVP spokeswoman for family policy since 2000)

Tancsits, Walter (ÖAAB general executive from 1993 to 2003, Nationalrat member between 1999 and 2006)

Tritremmel, Wolfgang (chairman of the labor and social policy department at the association of industrialists)

Germany

Fischer, Torsten (social policy spokesman at the CDU executive bureau)

Hansen, Volker (vice-chairman of the BDA’s social insurance department)

Hübscher, Mathias (economic policy spokesman at the CDU executive bureau)

Huthmacher, Christine (since 1986 researcher at the CDU’s scientific institute at the department of women and family policy, between 1994 and 1998 member of the CDU commission on family affairs)

Jobelius, Sebastian (SPD, personal assistant of the labor and social minister)

Kamp, Martin (CDA’s general secretary)

Kröger, Martin (scientific employee at the BDA’s social insurance department)

Ludwig, Anke (spokeswoman of the chairwoman of the CDU women’s union)

Schmid, Günther (professor of labor market policy and employment at the Social Science Research Center Berlin, member of the Job-Aqtiv Commission and the Hartz Commission)

Schmidt, Renate (Bundestag member from 1980 to 1994 and since 2005, member of the SPD party executive from 1991 to 2005, SPD vice-chairwoman from 1997 to 2003, minister of family, elderly, women and youth from 2002 to 2005)

Schönhoven, Klaus (professor of German history since industrialization at the University of Mannheim, specialized in the SPD and the trade unions)
Stapf-Finé, Heinz (chairman of the DGB’s social policy department)
Staudt, Wolfgang (researcher at the economic policy department of the CDU’s scientific institute)
Wehler-Schöck, Anja (researcher at the SPD’s scientific institute in the forum Politics and Society)

The Netherlands

Beus, Jos de (professor of political theory at the University of Amsterdam, main author of the PvdA’s 1994 election program)
Bussemaker, Jet (Second Chamber member between 1998 and 2007, member of PvdA commission ‘modernizing the welfare state’ from 2003 to 2005, under-minister of health, wellbeing and sports from 2007 to 2010)
Cuyvers, Peter (former scientific employee of the Dutch Family Council, in 1994 author of a PvdA report on family policy, in 2001 co-author of a report of the CDA’s scientific bureau on life course policy, established the policy advisory agency Family Facts in 2001)
Kalma, Paul (director of the PvdA’s scientific institute from 1989 to 2007, Second Chamber member from 2007 to 2010)
Klink, Ab (researcher at the CDA’s scientific bureau from 1984 to 1992, director of the CDA’s scientific bureau between 1999 and 2007, First Chamber member from 2003 to 2007, main author of the CDA’s 2006 election program, minister of health, wellbeing and sports from 2007 to 2010)
Koole, Ruud (professor in political science at Leiden University, PvdA executive from 2001 to 2005, interim PvdA executive in 2007)
Leijnse, Frans (Second Chamber member between 1984 and 1994, vice-chairman of the PvdA fraction in the Second Chamber from 1989 to 1994, charged with forming a CDA-PvdA government in 2003, First Chamber member since 2003)
Noten, Han (chairman of PvdA commission ‘modernizing the welfare state’ from 2003 to 2005, PvdA fraction leader in the First Chamber since 2003)
Plantenga, Janneke (professor in gender and welfare state economics at Utrecht University)
Praag, Philip van (lecturer in political science at the University of Amsterdam,
specialized in Dutch politics in general and the PvdA in particular)

**Verburg, Gerda** (member of the CNV executive between 1990 and 1997, Second Chamber member from 1998 to 2007, vice-chairwoman of the CDA fraction in the Second Chamber from 2002 to 2007, minister of agriculture, nature and fishery from 2007 to 2010)

**Vries, Bert de** (Second Chamber member between 1978 and 1989, CDA fraction leader in the Second Chamber from 1982 to 1989, social and labor minister between 1989 and 1994, interim CDA party executive from 2001 to 2002)

**Wierda, Eelco** (policy advisor at the directorate co-ordination emancipation policy, which was part of the social affairs and labor ministry until 2007)

**Willemse-Van der Ploeg, Ans** (Second Chamber member between 1993 and 1994 and from 2006 to 2010, vice-chairwoman of the CDA women’s union from 1995 to 2003)
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Samenvatting (Dutch summary)

Maakt het nog uit welke politieke partijen Europese welvaartsstaten hervormen? Deze vraag houdt de gemoederen in toenemende mate bezig onder kiezers, academici en beleidsmakers. Recente economische ontwikkelingen, vergrijzing en nieuwe arbeidsmarkt risico’s gerelateerd aan inzetbaarheid en de geboorte van kinderen resulteren in een grote uitdaging voor politieke partijen op het terrein van de welvaartsstaat. Momenteel zijn er twee dominante theorieën die de rol van politieke partijen beogen te verklaren bij het hervormen van sociaal beleid.

De aanleiding voor deze studie is de observatie dat Europese politici met name sinds de jaren negentig vergaande welvaarthervormingen in gang zetten welke niet verklaard kunnen worden door beide theorieën. Zo verwachten historisch institutionalisten dat mechanismen, zoals padafhankelijkheid, gevestigde belangen en electorale risico’s, de bestaande verzorgingsstaat in stand houden. In het licht van een mogelijke verkiezingsnederlaag zullen liberaal-economische partijen zoveel mogelijk afzien van hervormingen van grote, populaire arrangementen als pensioenen en vervroegde uittredingsregelingen. Op hun beurt wordt het voor sociaal-democraten en Christen-democraten, in de naoorlogse periode de partijpolitieke bouwers van sociaal beleid, steeds moeilijker voor uitbreiding te kiezen in een context van fiscale soberheid. Met fiscale soberheid doelt deze studie op lage economische groei (als er al sprake is van groei), vergrijzing en begrotingstekorten.

Toch zien we dat zowel sociaal democraten als Christen democraten pensioenen en vervroegde uittredingsregelingen hervormen. Bovendien zijn de hervormingen inmiddels grotendeels in tegenspraak met de verwachtingen van machtsmiddelen theoretici, de andere dominante groep van wetenschappers op het terrein van veranderingen in sociaal beleid. Volgens hen zullen partijen sociaal beleid op dezelfde wijze aanpassen als tijdens de opbouwperiode van de verzorgingsstaat. Met andere woorden: in nauwe samenwerking met socialistische vakbonden zetten sociaal-democraten zich in voor royale pensioenen die voor een ieder toegankelijk zijn. Christen-democraten doen hetzelfde, tezamen met confessionele vakbonden en werkgeversorganisaties. Belangrijk verschil met de sociaal-democratie is dat zij daarbij inkomensverschillen zoveel mogelijk willen handhaven in plaats van verkleinen.
Naast pensioenen en vervroegde uittredingsregelingen richt deze studie zich op gezinsbeleid (financiële prikkels, ouderschapsverlof en kinderopvang). In de periode na de Tweede Wereldoorlog ondersteunden Christen-democraten daarbij mannelijke broodwinners en huisvrouwen, terwijl sociaal-democraten sinds tenminste de vroege jaren zeventig beogen dat vrouwen arbeid en gezin kunnen combineren.

De studie betoogt dat zowel historisch institutionalisten als machtsmiddelen theoretici onterecht veronderstellen dat de beleidspreferenties van politieke partijen constant zijn. Een dergelijke veronderstelling biedt weinig soelaas als we er, in overeenstemming met theorieën over beleidsleren, van uitgaan dat partijen reflectieve actoren zijn. Partijen reflecteren op de veranderende context waarin zij opereren, zowel op het terrein van fiscale soberheid als de samenstelling van het electoraat. Een dergelijke reflectie is niet de handeling van een unitaire actor. Integendeel, de literatuur over partijorganisaties leert ons dat “een partij zelf een politiek systeem is. Politieke partijen worden eindeloos bedreven met verschillende coalities van krachten en actoren die streven naar dominantie” (Katz and Mair 1992: 6, hun nadruk). Gedurende dit proces kunnen nieuwe dominante coalities beslissingsregels en beleidsvoorstellen wijzigen” (Harmel ea 1995; Mulé 2001).

Voortbouwend op deze inzichten bouwt dit boek een brug tussen theorieën over partijorganisaties en theorieën over sociale beleidsvoorkeuren. Het vergroot ons begrip van partijen en welvaartsstaathervormingen door over de tijd het maken en breken van interne coalities systematisch te volgen als de drijvende kracht achter hervormingen van pensioenen en gezinsbeleid. Ik beargumenteer dat tijdens het proces van het wijzigen van beleidsvoorkeuren partijen nog steeds van belang zijn, maar in toenemende mate op een andere wijze dan verondersteld door machtsmiddelen theoretici.

In hoofdstuk 2, het theoretisch raamwerk, beredeneer ik dat – uiteenlopend over tijd, plaats en beleidsgebied - verschillende groepen dominant kunnen worden binnen sociaal-democratische en Christen-democratische partijen. Tegen een achtergrond van contextuele uitdagingen (fiscale soberheid en een veranderend electoraat) is een externe schok de katalysator. Deze noopt een partij om kritisch te kijken naar de mate waarin het primaire doel behaald is. Voor zowel social-democraten als Christen-democraten is het moment van falen om de regering te domineren potentiële de meest krachtige externe stimulus. In het daaropvolgende
volgende proces van organisatieverandering zal de nieuwe coalitie de groep politici vervangen die het oude leiderschap steunde. Bovendien zal de nieuwe coalitie de interne beslissingsregels van een partij veranderen om de eigen positie te ondersteunen. Dit stelt een partij in staat om nieuwe beleidsvoorkeuren op het terrein van de verzorgingsstaat te ontwikkelen. Dienovereenkomstig kunnen “sociaal-democratie” en “Christen-democratie” een uiteenlopende betekenis hebben, uiteenlopend over tijd, plaats en beleidsgebied. Zodra dit wordt genegeerd, zijn bevindingen over de rol van partijen bij welvaartsstaatshervormingen op zijn best misleidend of zelfs onjuist.


Het onderscheid tussen traditionalisten en pragmatisten staat aan de basis van de twee onderstaande proposities die zijn onderzocht in de empirische hoofdstukken. Bij de contextuele uitdagingen op het terrein van het sociaal-democratisch electoraat focus ik op de-industrialisatie, oftewel een afname van het aantal werknemers in de industrie. Voor Christen-democraten richt ik me op secularisatie: een afnemende mate van praktisering van een religie in de samenleving.

**Sociaal-democratie:** *Tegen een achtergrond van fiscale soberheid en de-industrialisatie is het falen om de regering te domineren de katalysator die tot gevolg heeft dat een coalitie van pragmatisten dominant wordt binnen de partij.*

**Christen-democratie:** *Tegen een achtergrond van fiscale soberheid en secularisatie is het falen om de regering te domineren de katalysator die tot gevolg heeft dat een coalitie van pragmatisten dominant wordt binnen de partij.*

Op het terrein van gezinsbeleid is het kernverschil tussen groepen die dergelijk beleid stimuleren het onderscheid tussen politici die zich richten op werkende vrouwen en politici die het traditionele gezinsideaal promoten. Ik noem deze groepen
respectievelijk de ondersteuners van gelijke rechten en famialisten. Ondersteuners van
gelijke rechten beogen gender gelijkheid te promoten in termen van gelijke toegang
tot sociale en professionele posities voor beide sexen, inclusief een gelijke verdeling
van macht en verantwoordelijkheden binnen een huishouden. Beleidsvoorstellen zijn
ondermeer publieke kinderopvang, ouderschapsverlof voor werkende vrouwen en
financiële tegemoetkomingen voor kinderen van lagere inkomensgroepen. Famialisten
zien de traditionele familie als de ideale omgeving voor het opvoeden van kinderen.
Op zijn minst zouden vrouwen de keuze moeten hebben of zij hun kinderen zelf
willen opvoeden of niet. Als zodanig staan zij voor gezinsbeleid dat zorg voor
kinderen onafhankelijk van de arbeidsparticipatie van ouders ondersteunt, zoals
universeel ouderschapsverlof en fiscale tegemoetkomingen voor ouders zonder
betaald werk.

Gezien het feit dat het promoten van gelijke rechten één van de kernwaarden
van de Europese sociaal-democraten is sinds tenminste de vroege zeventiger jaren,
staat het onderscheid tussen famialisten en ondersteuners van gelijke rechten aan de
basis van onderstaande propositie met betrekking tot de Christen-democratie.
Vrouwenemancipatie bestaat hier uit twee aspecten: 1) een toename in de
arbeidsparticipatiegraad van vrouwen en 2) een afname van de steun van het
electoraat voor het mannelijke broodwinner – huisvrouw – model.

Tegen een achtergrond van secularisatie en vrouwenemancipatie is het falen om de
regering te domineren de katalysator die tot gevolg heeft dat een coalitie van
ondersteuners van gelijke rechten dominant wordt binnen een Christen-democratische
partij.

Hoofdstuk 3 gaat in op de keuzes van het onderzoeksontwerp en de methodologie. De
studie vergelijkt een klein aantal case studies. Bij elke casus worden ontwikkelingen
binnen partijen en beleidsveranderingen systematisch gevolgd van het begin van de
jaren tachtig tot 2007. Ik richt me daarbij op Duitsland, Nederland en Oostenrijk om
variabelen die volgens de literatuur de mate en richting van
welvaartsstaathervormingen verklaren zoveel mogelijk constant te houden. De drie
landen hebben de dubbele uitdaging van een lage arbeidsmarktparticipatiegraad van
vrouwen en ouderen; worden geregear door meerdere partijen tegelijkertijd; hebben
partijsystemen met zowel sterke Christen-democraten als sociaal-democraten; hebben
lange tradities van betrokkenheid van sociale partners bij het ontwikkelen van sociaal beleid en zijn lid van de Economische Monetaire Unie (EMU).

Meetproblemen van geaggreerde gegevens van uitgaven aan sociaal beleid zijn op twee manieren geadresseerd. Ten eerste vergelijk ik pensioenen en gezinsbeleid onder andere vanwege het feit dat geagreggeerde gegevens verschillen in ontwikkelingen binnen beleidsgebieden kunnen verhullen. Het historisch institutionalisme, welke is gebaseerd op padafhankelijkheid van grote sociale zekerheidsregelingen zoals pensioenen, is allicht minder relevant in een kleiner domein zoals gezinsbeleid. Bovendien richt ik me op beleidsontwikkelingen op het niveau van het individu. Dit is de kern van de welvaartsstaat, maar wordt niet in kaart gebracht met geagreggeerde gegevens van uitgaven.

Hoofdstuk 4 geeft een overzicht van de contextuele uitdagingen van sociaaldemocraten en Christen-democraten in Duitsland, Nederland en Oostenrijk. De focus ligt op de-industrialisatie, secularisatie en vrouwenemancipatie, aangezien fiscale soberheid is behandeld in het vorige hoofdstuk bij het discussiëren van de vergelijkbaarheid van probleemladingen. Opvallend is dat Nederlandse partijen eerder te maken hadden met fiscale soberheid (sinds het einde van de jaren zeventig), de-industrialisatie en secularisatie. Bovendien kampten Nederlandse partijen met de hoogste mate van fiscale soberheid tot het einde van de jaren tachtig. Tot slot is de Nederlandse samenleving nog steeds meer gede-industrialiseerd en geseculariseerd dan de samenlevingen in Duitsland en Oostenrijk. Dienovereenkomstig verwacht ik dat pragmatisten het eerst dominant worden in Nederland. Voor wat betreft gezinsbeleid is vermeldenswaard dat zowel secularisatie als vrouwenemancipatie langzamer verliep en in mindere mate voorkomt in Oostenrijk dan in beide andere landen. Vandaar dat de Oostenrijkse Christen-democraten de minste contextuele uitdagingen hadden op het gebied van gezinsbeleid. Als zodanig is de verwachting dat familialisten het langst dominant blijven binnen de Oostenrijkse Christen-democraten.

Hoofdstuk 5 bestudeert in hoeverre de politieke besluitvorming rond de introductie, uitbreiding en hervorming van pensioenen en gezinsbeleid gelijk is in de drie landen. De vergelijkende historische analyse van het zogenaamde ‘gouden tijdperk’ van de welvaartsstaat (de periode van 1945 tot 1975) laat zien dat Christendemocraten en sociaaldemocraten zich overeenkomstig de veronderstellingen van de machtsmiddelen theoretici gedroegen.

Het beeld is anders ten aanzien van gezinsbeleid. Hier werpt de machtsmiddelen theorie veel licht op de richting van hervormingen. In Oostenrijk is dit zelfs nog steeds zo. In Nederland en Duitsland is dit echter niet langer het geval sinds respectievelijk 2002 en 2005.

De empirische hoofdstukken 6 tot en met 11 onderzoeken de bevreemdende bevindingen uit het vorige hoofdstuk. Hoofdstuk 6 concludeert dat de aanvankelijk zeer beperkte veranderingen op het terrein van de Duitse pensioenen onder Christelijke-liberale kabinetten in grote mate verklaard kunnen worden door de sterke positie van Christen-democratische traditionalisten, in het bijzonder van de vakbondsveeg. Van begin jaren negentig tot 1998 zwakte de positie van traditionalisten af tegen een achtergrond van een verslechterende economie en toenemende secularisatie. Desalniettemin kon de minister van sociale zaken, een belangrijke vertegenwoordiger van de Christen-democratische werknemersveeg, meer omvangrijke pensioensbezuinigingen terugdringen. Deze bezuinigingen waren de inzet van de liberale coalitiepartner, radicaliserende werkgeversverbanden, de Christelijke werkgeversveeg en andere Christen-democraten met pragmatische oriëntaties. Ondanks een verslechterende economie en de-industrialisatie, implementeerde het kabinet van sociaal-democraten en groenen een traditionele pensioensagenda. Althans, dit was het geval totdat de linkervleugel van de sociaal-democraten snel gemarginaliseerd werd, een process dat in een stroomversbelling kwam nadat de partij in 1998 had besloten om voor een strategie van regeringsdeelname te gaan. Sindsdien heeft de partij pensioenhervormingen in gang gezet die het best te kwalificeren zijn als markt-liberaal.

De historische analyse van Duits gezinsbeleid in hoofdstuk 7 laat zien dat partijen tot 2005 beleid implementeerden zoals verwacht door machtsmiddelen theoretici. Tegen een achtergrond van secularisatie en toenemende

Hoofdstuk 8 richt zich op Nederlandse pensioenschervormingen. In vergelijking met Duitsland en Oostenrijk, had Nederland tot eind jaren tachtig te maken met meer fiscale soberheid. Bovendien is de Nederlandse samenleving meer gede-industrialiseerd en geselectureerd dan Duitse en Oostenrijke samenlevingen. Sinds het einde van de zestiger jaren veroorzaakte secularisatie een grote afname in het kiezersaandeel van confessionele partijen. Dit leidde tot angst onder Christelijke politici om hun dominante positie in de regering te verliezen en maakte een fusie tot het CDA mogelijk in 1980, een partij met een gemarginaliseerde traditionalistische vleugel. Fiscale soberheid versterkte de mogelijkheid voor pragmatisten om bezuinigingen op pensioenen door te voeren in een coalitieregering met liberalen van 1982 tot en met 1989. Als antwoord op de op dat moment pivotale positie van de Christen-democratie in het Nederlandse partijsysteem werden pragmatisten ook dominant binnen de sociaal-democratische partij, een partij die - met uitzondering van een interruptie van 9 maanden aan het begin van de jaren tachtig – sinds 1977 was uitgesloten van regeringsdeelname.

Het volgende hoofdstuk laat zien dat het vrij lang duurde tot Nederlandse Christen-democraten vaarwel zeiden tegen famialistische kernwaarden. Evenals in Duitsland verklaart de machtsmiddelen theorie gezinsbeleid tot begin 2000. De Christen-democratische partij was echter op zoek naar een nieuwe identiteit nadat ze in 1994 plotseling in de oppositiebanken belandde. Toen de partij in 2002 terugkeerde in de regering was een dominante coalitie veel meer gericht op werkende vrouwen dan voorheen.

toenemende mate een trend van afzwakking van de mate van invloed van vakbondsvluchtigheid ten koste van meer liberale en werkgevergerichte politici. Deze trend was het sterkst binnen de Christen-democratie en accelereerde toen de voormalige voorzitter van de werkgeversvleugel partijleider werd in 1995. Er vonden intern destijds hevige discussies plaats hoe de Christen-democraten van een nauwelijks zichtbare coalitiepartner konden uitgroeien tot de dominante partij. Van 2000 tot en met 2006 vormden de Christen-democraten een regering met rechts-populisten. Ondanks protesten van de Christelijke vakbondsvereniging en de populistische partij wisten Christen-democratische regeringsleden de hervormingen in een markt-liberale richting te sturen. Hoewel de Christelijke vakbondsvereniging geen vertegenwoordigers in de regering had, wist ze samen met de populistische partij bezuinigingen te vertragen en enkele compensaties te bereiken.

Hoofdstuk 11, het laatste empirische hoofdstuk, laat zien dat famialisten in 2008 nog steeds dominant zijn binnen de Oostenrijkse Christen-democratie. Dit is met name het gevolg van het feit dat secularisatie en vrouwenuancipatie langzaam en in beperkte mate plaatsvonden in vergelijking met Duitsland en Nederland. Eind jaren negentig omarmden zowel leidende Christen-democratische als rechts-populistische politici het traditionele familie-ideaal. Een dergelijke koers was aantrekkelijk voor het grote aandeel Oostenrijkse Katholieken in het bijzonder en ondersteunde de Christendemocraten in hun streven de dominantie partij te worden. Dienovereenkomstig leidde de overgang van een grote coalitie geleid door sociaal-democraten naar een kabinet met Christendemocraten en rechts-populisten, ondanks de toenemende fiscale soberheid, in 2000 tot de implementatie van famialistisch gezinsbeleid.

Tot slot vat de conclusie de belangrijkste bevindingen samen en gaat de conclusie in op de theoretische implicaties van deze studie. Vastgesteld wordt dat, in tegenstelling tot de veronderstellingen van historicist institutionallisten, partijen nog steeds een verschil maken op het terrein van de welvaartsstaat. Beleidskeuzes zijn inmiddels echter anders dan tijdens de opbouwperiode van de verzorgingsstaat en daarmee anders dan verondersteld door machtsmiddelen theoretici. De empirische hoofdstukken tonen aan dat termen als “sociaal-democratie” en “Christen-democratie” een uiteenlopende betekenis hebben, uiteenlopend over tijd, plaats en beleidsgebied. Het is daarbij essentieel om de samenstelling van dominante coalities binnen partijen te onderscheiden. Het maken en breken van interne coalities vindt plaats tegen een achtergrond van specifieke contextuele uitdagingen. Deze uitdagingen verklaren
echter niet het exacte moment waarop interne machtswisselingen plaatsvinden. Tenminste voor de hier bestudeerde sociaal-democratische en Christen democratische partijen is het falen om de regering te domineren de katalysator voor partijverandering.

Voortbouwend op theorieën over politieke organisaties en leerprocessen heb ik laten zien dat partij-elites tijdens dit moment van falen zowel zoeken naar de wijze om de regering te kunnen domineren als naar de wijze waarop sociaal beleid vormgegeven dient te worden. Daarbij vind ik overigens enkele duidelijke gevallen van verkeerde informatie en verkeerde percepties. Contextuele uitdagingen beperken wel degelijk bepaalde beleidskeuzes, terwijl ze andere keuzes juist mogelijk maken. Tegen een achtergrond van onzekerheid instrueren deze uitdagingen partij-elites echter niet over hun relatieve gewicht, intensiteit en omvang. Integendeel, contextuele uitdagingen nopen tot doelbewuste beleidsantwoorden, antwoorden die zijn ingegeven door de normatieve oriëntaties van beleidsmakers en hun cognitieve interpretaties van veranderende sociale- en economische omstandigheden. Beleidsantwoorden worden echter ook beïnvloed door machtsverdelingen binnen en tussen partijen en door de aanwezigheid of afwezigheid van belangengroepen. Uiteindelijk zijn politieke actie en politieke keuzes binnen de grenzen van contextuele uitdagingen dus van belang voor de distributieve uitkomsten van sociaal-economisch beleid. In het licht van deze conclusie zal ik dan ook eindigen met enkele beleidsvoorstellen die mijns inziens bijdragen aan het hervormen van welvaartsstaten op een sociaal acceptabele, economisch levensvatbare en politiek haalbare manier.
Gerben Korthouwer was born on November 1\textsuperscript{st} 1978 in Heiloo, the Netherlands. After secondary school, he trained to become a leftenant in social-economic affairs and subsequently completed his study at the Royal Netherlands Naval Academy in 2000. From 2000 to 2003, he studied political science at the University of Amsterdam. Between 2004 and 2008, he worked as a PhD researcher in social sciences at the Amsterdam School for Social Science Research (ASSR) at the University of Amsterdam. During his tenure at the university, he was a visiting scholar at the Institute of Higher Education in Vienna, the Mannheim Center of European Social Policy, the Science Center Berlin and the University of Wisconsin-Madison. He also taught a number of courses in the political science department and the sociology department at the University of Amsterdam. From 2008 to 2009, he worked as a research fellow at the Scientific Council for Government Policy. He is currently working as an advisor on labor market policy for the health and wellbeing sector at the Ministry of Health, Wellbeing and Sports.