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