“The six welfare states under examination – Austria, Denmark, Germany, the Netherlands, Sweden and the United Kingdom – changed incrementally between 1998 and 2014. These changes led, overall, to the gradual transformation of the welfare states in these countries.

There were both long-term changes in objectives and successive and sequential changes in existing instruments; a number of new instruments were also introduced.

In the three policy areas under examination – labour market policy, family policy and pensions policy – the dominant focus is on the labour market and recommodification. This is topped off, besides the self-responsibility already mentioned, increasingly by elements of privatisation and marketisation.

In the past two decades there has thus been a substantial restructuring of welfare state social security systems with the predominant aim of encouraging labour market participation. However, there has yet to be any adaptation of social security systems to the prevailing social risks over the life course, in particular with regard to critical transitions and employment in a period of structural change in the workplace.”
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1. Introduction

Europe's welfare states are on the move. Structures and services are being transformed, redeveloped and sometimes even sold off. However, the viability and sustainability of modern welfare states have been in doubt since before the most recent economic and financial crisis. For example, as early as 1981 the Organization for Economic Cooperation and Development (OECD) proclaimed that the social security systems of its member states were »in crisis«. Since then, international comparison of and reference to particularly successful models and approaches in subsistence protection and social security policies and services have been very much in vogue. From a Social Democratic standpoint the Nordic model is one of the key points of reference for the further development of welfare state capacities.

Globalisation, demography, digitalisation and a feminisation of labour markets have challenged Europe's welfare states to engage in a wide variety of adjustment processes in recent years. To what extent can the Nordic welfare states still assert their pioneering role with regard to these challenges? It is evident that in response to these major trends the EU member states have developed a series of reform strategies that have stabilised existing paths or have opened up the prospect of new developments. Even if the challenges – ageing population, unemployment, weak growth rates, limited fiscal scope and so on – in the European welfare states are often similar, the responses are sometimes different in individual countries. This is due primarily – although not exclusively – to historical, path-dependent structures. Ultimately, the manner in which the problems are perceived, the dominance or even hegemony of certain ideas, such as specific narratives of the social realm, as well as the clout and power resources of the actors in the respective politico-economic institutions, must be taken into account.

In light of this, based on systematic analysis of data from six countries, we shall ask the following questions:

- What welfare-state paths can be identified?
- Which countries have reacted to the major challenges with what structural reforms?
- At what points do their developments correspond or diverge?

In this paper we shall present and compare key structural developments in the policy areas of labour market, family and pensions in six EU countries. Even if the goals, ideas, structures and actors in the relevant countries differ, by way of comparison the specific features of the individual countries can be made visible in order to raise awareness and enhance potential political learning.

2. Conceptual Considerations

In this paper we shall compare the development of key social policy areas in six countries: Austria, Denmark, Germany, the Netherlands, Sweden and the United Kingdom. In selecting these countries for investigation we took into account the two current typologies in comparative welfare state research: on one hand, the typology of Esping-Andersen (1990) on the three worlds of welfare capitalism (liberal, conservative and social democratic welfare regimes) and, on the other hand, the distinction between Bismarckian and Beveridgean systems (see Schmidt 2010). The countries were selected so that at least one country corresponded to each type. According to Esping-Andersen, the various categories can be broken down, as illustrated in Table 1.

A comparison of the Bismarck and Beveridge models comes up with the contrast, as presented in Table 2.

The typologies presented here are used to categorise individual countries in terms of these ideal types on the basis of plausibility. Central to our treatment here are, ultimately, not the overall system of the individual welfare states, but the respective labour market, family and pension policies. These three key social policy areas were chosen to serve as examples because they are particularly important for the acceptance of the relevant welfare states and have undergone substantial changes in recent years, accompanied by mutual learning. To ensure a common statistical basis our comparison is generally limited to the period between 1998 and 2012 (any deviations from that are due to data availability).

Building on that we undertake a general classification of the reforms, differentiating – following Hall (1993) – between changes of the first, second and third order. With regard to individual policy areas, we thus have to ask what kind of change is in question:
first-order change: the reforms implemented are merely an adjustment of existing instruments to changed conditions;

second-order change: new instruments were created to achieve an unchanged goal;

third-order change: besides changing the instruments the objective has been redefined.

In principle, we can expect that a third-order change will have been preceded by a substantial reorientation of the perception of the problem and of the policy debate. It must be taken into consideration, however, that a change due to a single decision is sometimes to be evaluated as modest and thus rather as a change of the first order. However, successive accumulation of such incremental changes over time can certainly entail a third-order change. In particular, Streeck and Thelen (2005) have dealt systematically with the significance of gradual – although system-transforming overall and over a longer period – transformation processes and have differentiated them in terms of their scope. Welfare state institutions, accordingly, are never organised perfectly, but rather must be constantly renegotiated and interpreted.

<table>
<thead>
<tr>
<th>Table 1: Selected countries in the context of Esping-Andersen's typology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liberal welfare state regime</strong></td>
</tr>
<tr>
<td>Level of decommodification</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Influence on social stratification</td>
</tr>
<tr>
<td>Relations between the state, the family and the market with regard to the provision of benefits and services</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Examples</td>
</tr>
<tr>
<td>Austria, Germany, Netherlands</td>
</tr>
<tr>
<td>Denmark, Sweden</td>
</tr>
</tbody>
</table>

Source: Authors’ presentation based on Schmid (2010).

<table>
<thead>
<tr>
<th>Table 2: Selected countries in terms of the Bismarck and Beveridge models</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>»Bismarck« model</strong></td>
</tr>
<tr>
<td>Objective</td>
</tr>
<tr>
<td>Benefits and services</td>
</tr>
<tr>
<td>Eligibility</td>
</tr>
<tr>
<td>Persons covered</td>
</tr>
<tr>
<td>Funding</td>
</tr>
<tr>
<td>Country examples in the sample</td>
</tr>
<tr>
<td>UK, Sweden, Denmark</td>
</tr>
</tbody>
</table>

Source: Schmid (2010).
3. Labour Market Policy

In the countries under examination two different types of unemployment insurance and employment development are distinguished: on one hand, insurance systems based on compulsory membership (Austria, Germany, Netherlands, United Kingdom) and, on the other hand, voluntary systems with extensive state support and in the past provided primarily by the trade unions (Denmark and Sweden). Differences also exist with regard to the involvement of the social partners in the (self-) administration of unemployment insurance.

In almost all countries the unemployment rate fell substantially between 2000 and 2008. In the wake of the financial crisis, however, unemployment rates rose again, sometimes dramatically.

3.1 Main Structural Features and Developments

In all the countries under examination reforms have been implemented in social benefits for the unemployed in the past two decades, which make state support more closely dependent on an obligation to get involved in one’s own job placement or participation in active employment support measures. This has found particular expression in the concept of an active labour market policy. This consists, on one hand, of increasing the obligation to work – for example, by reducing welfare state transfers and changing the rules on what is reasonable work or sanctions – and, on the other hand, of boosting employability through individual support, training and further training and stepping up job placement activities. Differences between the countries arise in particular from the weighting of these two elements. In the course of time a general reduction of labour market policy expenditure cannot be established, as Figure 1 shows.

3.2 Reform Activities

Reform debates were conducted primarily under the paradigm of the active welfare state, with a strong focus on active integration in the labour market.

Various areas of reform can be identified that we shall look at in the following comparison of countries:

- passive labour market policy (financial transfer payments);
- active labour market policy (consultation, placement and training/qualifications services);
- organisation of benefit and service provision.

3.2.1 Passive Labour Market Policy

With regard to passive labour market policy various reform trends can be distinguished. In Germany in 2005 a whole new benefit was created with basic social security for job seekers (consisting of working-age former recipients of

Figure 1: Expenditure per unemployed person (€)

Source: Eurostat; authors’ design.
unemployment assistance and income support, as well as their dependents), which decisively changed the system of benefits and services. Linked to this was a change in funding responsibility, which is divided between the federal government and the municipalities (Jantz/Jann 2013). In the United Kingdom, too, a new benefit has been created with the gradual introduction of the universal credit since April 2013, which consolidates and simplifies the various means-tested benefits (Clegg 2014). In the Netherlands unemployment assistance was abolished without replacement in 2003 (Schmid 2010).

In the other countries, social service and benefit reforms concerned primarily the insurance system, in particular benefit duration and access conditions. The reforms took place mainly incrementally, although sometimes with far-reaching consequences. In Denmark, between 1994 and 2010, the duration of receipt of insurance benefit was reduced from eight to two years, while the qualifying period for re-application was raised to 12 months. The United Kingdom has the shortest duration for insurance benefit, at a maximum of six months. In Germany benefit duration was cut, in particular for older workers (from 32 to 24 months for people over 57 years of age). In Austria, too, the possibility of people aged over 60 to claim unemployment benefit for up to 78 weeks was abolished; it is now possible only in the case of existing rehabilitation measures (Bengtsson 2014).

In combination with changes in eligibility periods this has led to a loss of significance for unemployment insurance as a primary social security system. In Germany, for example, the eligibility period was increased from six to 12 months and the qualifying period reduced from 36 to 24 months. Table 3 provides an overview of qualifying periods, benefit duration and scope of unemployment insurance in the countries under examination.

The level of benefit was modified only in Germany and Sweden. In Sweden insurance benefit has been reduced from 80 per cent to 70 per cent after 100 days, with corresponding caps. In Germany the new basic income support benefit, in contrast to the earlier unemployment assistance, is means-tested and its level depends on previous income, which in particular for older former recipients of unemployment assistance has led to losses.

In all countries active job search has been made a condition of receiving unemployment benefit. Job seekers have certain obligations – for example, regular interviews with an adviser – and have to be available and willing to accept reasonable work. In all countries misconduct can be sanctioned, for example, by cuts in or withdrawal of benefits.

### 3.2.2 Active Labour Market Policy

Substantial differences are evident between countries with regard to the development of spending on active labour market policy, as Figure 2 shows. It is striking that Germany finds itself at the same level as the economic-

Table 3: Features of insurance systems

<table>
<thead>
<tr>
<th>Country</th>
<th>Eligibility period (months)</th>
<th>Qualifying period (months)</th>
<th>Duration (months)</th>
<th>Proportion of the unemployed who receive insurance benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>12</td>
<td>36</td>
<td>24</td>
<td>53 %</td>
</tr>
<tr>
<td>Germany</td>
<td>12</td>
<td>24</td>
<td>6–24 (depending on age and length of insurance)</td>
<td>30 %</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6</td>
<td>9</td>
<td>Up to 38 weeks (depending on length of insurance)</td>
<td>68 %</td>
</tr>
<tr>
<td>Austria</td>
<td>12</td>
<td>24</td>
<td>5–12 (depending on age and length of insurance)</td>
<td>94 % (with emergency benefit)</td>
</tr>
<tr>
<td>Sweden</td>
<td>6</td>
<td>12</td>
<td>10</td>
<td>66 %</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6</td>
<td>24</td>
<td>6</td>
<td>51 %</td>
</tr>
</tbody>
</table>

Source: Authors’ presentation.
liberal United Kingdom, while the second «conservative» welfare state – Austria – has drastically raised expenditure over the past 10 years. Overall, Denmark is the most generous with regard to active benefits and services.

Differences also exist between the countries under examination in the area of structure of expenditure on active benefits and services. According to Bonoli (2010), active labour market policy can be categorised into four types. Table 4 provides an overview of the different categories.

Some argue that in particular the Nordic model is oriented towards retaining and improving human capital, while in the United Kingdom the emphasis is simply on getting a job, with low expenditure on training and further training (Bonoli 2010; Jochem 2011a). Continental European countries, such as Germany and Austria, occupy an intermediate position (Bonoli 2010). Figure 3 to some extent calls this finding into question.

The United Kingdom still spends relatively little on training and further education within the framework of active

![Figure 2: Active labour market policy by number of unemployed persons (€)](image)

Source: Eurostat; authors’ presentation.

### Table 4: Types of active labour market policy

<table>
<thead>
<tr>
<th>Type</th>
<th>Objective</th>
<th>Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentive reinforcement</td>
<td>Strengthen positive and negative work incentives for people on benefit.</td>
<td>Tax credits, in work benefits, Time limits on receipt, Benefit reductions, Benefit conditionality, Sanctions</td>
</tr>
<tr>
<td>Employment assistance</td>
<td>Remove obstacles to employment and facilitate (re-)entry into the labour market.</td>
<td>Placement services, Job subsidies, Counselling, Job search programmes</td>
</tr>
<tr>
<td>Occupation</td>
<td>Keep jobless people occupied; limit human capital depletion during unemployment.</td>
<td>Job creation schemes in the public sector, Non-employment-related training programmes</td>
</tr>
<tr>
<td>Human capital investment</td>
<td>Improve the chances of finding employment by upskilling jobless people.</td>
<td>Basic education, Vocational training</td>
</tr>
</tbody>
</table>

Source: Jochem 2011b: 29.
labour market policy and between 2004 and 2010 this was reduced even more. The largest share of such spending is in the categories of advice, supervision and job placement, which can be explained by the fact – among other things – that this includes the activities of private service providers, funded from public resources, who have been given a major role in the United Kingdom. Both Denmark and Sweden, as representatives of the Nordic welfare state, have cut expenditure on training in relation to other forms of expenditure by more than 10 percentage points. Instead, advisory and job placement activities, as well as case management have been expanded, along with employment subsidies and publicly funded employment. Combined with passive measures incentive intensity was thus increased in the two countries, as was encouragement of taking up employment as quickly as possible. Improving the qualifications of the unemployed, by contrast, plays a diminishing role, a trend that applies to all the countries under examination, with the exception of Austria. Austria is developing both in absolute terms and with regard to its setting of priorities towards a human capital–oriented strategy.

3.2.3 Organisation of Benefit Payment and Service Provision

In all countries the organisation of benefit and service provision has been reformed since the early 2000s, mainly with the aim of reducing the fragmentation of benefit and service provision for the unemployed. As early as 2001 the employment and social security offices in the Netherlands were merged in the new centres for work and income (CWI), thereby establishing uniform access to the social security and support system. In 2002, moreover, the various insurance providers, organised mainly sectorally and run by the social partners, were merged in the employee insurance schemes (UWV), with the social partners retaining only an advisory function. The CWI were merged with the UWV in 2009, so that now there is a single body for both active and passive benefits and services, the UWV WERKbedrijf (Berkel/de Graaf 2011).

Also in 2001 fundamental restructuring of the employment and social administration commenced in the
United Kingdom. At the operational level the so-called »JobCentre Plus« was set up as a one-stop shop for all recipients of social benefits and services (unemployment benefit, disability, income support).

Despite recommendations by the Hartz Commission a »one-stop shop« solution for all job seekers – regardless of how they were categorised on the funding side – was not implemented in Germany. Rather in Germany there is now a separation between two systems for the unemployed: the unemployed from the insurance domain (unemployment benefit I) and the unemployed from the basic social protection system (unemployment benefit II). Recipients of unemployment benefit I are supervised by the Federal Employment Agency in the newly created »customer centres«. The influence of the social partners has been reduced to monitoring. Within the framework of unemployment benefit II there is a division between job centres as a common institution and »opt-out municipalities« (»Optionskommunen«), in which the municipalities have the sole responsibility for supervising unemployment benefit II recipients. The original intention of the Hartz Commission – to bring all actors and forces under one roof – has thus been inverted (Jantz/Jann 2013).

Out of all the countries under examination Denmark has pushed labour market policy decentralisation furthest. In 2009 the central labour market administration was abolished and responsibility for active labour market services for the unemployed was transferred to the municipalities that provide them in local job centres. Payment of benefits is still carried out by the unemployment insurance organisations or local social security offices. The social partners have only an advisory function in the job centres (Jantz/Jann 2013).

In Austria in 2011 the responsibility for income support recipients who are able to work was transferred to the Labour Market Service (Arbeitsmarktservice – AMS), which also provides benefits and services for insured unemployed people and recipients of emergency benefits (Weishaupt 2011). The AMS is organised on a tripartite basis and with a high degree of self-administration.

In Sweden there is still a three-way division between unemployment insurance organisations (payment of insurance benefits), state labour market administration (active labour services for insured people) and the municipalities (active and passive benefits and services for income support recipients). However, from 2007 to 2010 responsibility for all active labour market benefits and services for people under 25 years of age and immigrants was transferred to the labour market administration (Minas 2011).

3.3 Summary and Evaluation

The reform trajectories in the countries under examination, for all their differences, exhibit a number of similar tendencies.

First, access conditions have been tightened up and levels of benefits and services for passive labour market policy reduced. In all countries unemployment insurance as paramount social security system has been weakened by changes to entitlement, eligibility, benefit duration and level of benefits and services, so that their scope has in many instances been reduced substantially.

Secondly, expenditure on active labour market policy has been concentrated on rapid integration in the labour market. At the same time, long-term forms of active services have been reduced. The function of occupational training as a means of promoting social mobility has been diminished in all countries (with the exception of Austria). The Nordic model, which was previously characterised by high investment in human capital, has cut back on such investment.

Thirdly, efficiency-oriented restructuring and the governance of labour market policy have led to a weakening of the role of trade unions in the provision of benefits and services. Among other things, in Denmark, Germany and the Netherlands the importance of self-administration in labour market policy was reduced or even abolished entirely. In Denmark, the United Kingdom, the Netherlands and Austria state or local level active labour market policy systems for the various groups of recipients have been replaced by one-stop shops. The activation approach, which has characterised reform of unemployment insurance in Europe, is thus not solely directed towards the rights and obligations of different groups of working-age benefit and service recipients, but also towards the organisational structures of social security for these groups (Clasen/Clegg 2014).
Fourthly, rapid policy changes combining reforms in all three areas of labour market policy – active, passive and structural – at the same time remained limited to Germany. There, extensive changes were initiated in all three areas by the Hartz reforms. By contrast, in the other countries reform trajectories exhibited an incremental pattern, although sometimes with far-reaching results nevertheless. Overall, the goal of moving from a passive to an active labour market policy has been deferred. The primary role of unemployment benefits was redefined and now consists of encouraging participation and re-integration into the labour market, not only with regard to the insurance system, but increasingly also other working-age recipients of benefits and services (Clasen/Clegg 2014). In particular, instruments for increasing incentive intensity (for example, sanctions), as well as employment take-up (for example, employment subsidies) were expanded or introduced, while others, such as public employment programmes and long-term training, were reduced. The change in goals and instruments can thus be classified as a third-order transformation.

4. Family Policy

The approach to family policy adopted in this paper is based on Gauthier (1996), who developed a typology of national family policies based on cash and work-related benefits for families, as well as a way of looking at child-care facilities and legislation on abortion and contraception. In accordance with this, Germany and Austria can be categorised under the «traditional model», in which monetary resources are expended primarily to ease the burden on families and promote marriage. Sweden and Denmark represent an «egalitarian model» characterised by the principle of gender equality and support for working parents, as well as by reconciliation of work and family life. UK family policy, by contrast, corresponds to the «non-interventionist model», in which the family is regarded as a private affair and family policy takes the form of poverty policy. The Netherlands represents a mixed type between the «traditional» and the «non-interventionist model».

In particular the countries of the «traditional» and the «non-interventionist model» are confronted, in contrast to their original orientation, with a situation in which

Figure 4: Birth rates (ratio of number of births per years and average population in the same year, data per 1,000 inhabitants)
Women’s improved access to education since the 1970s and resulting higher level of qualifications have led to a continuous increase in women’s employment orientation and participation in recent decades. At the same time, equal rights for men and women have been enforced and women have increasingly been determined to take responsibility for their own livelihoods. Given that family subsistence can generally no longer be ensured by the man’s income alone the traditional breadwinner model—which has a key role in conservative welfare states in particular—has been relentlessly eroded, to be superseded by a supplementary earner model/dual career couple model (Eichhorst/Thode 2009). With higher women’s employment rates economic considerations begin to play a role in decision-making about whether to have children because of the financial sacrifices involved. Furthermore, longer periods in education and training due to the need to obtain higher qualifications and greater mobility of parents postpone family planning until later in life or can no longer be reconciled with a career (Bertram 2006).

All the countries under examination, apart from Sweden, have had to struggle with falling or stagnating birth rates since the early 2000s at the latest (see Figure 4). Furthermore, women’s labour market participation has been rising. From the perspective of the family women have to find work in order to sustain family finances, given the lower level of social security. At the same time, reconciliation of work and family life has improved since the turn of the millennium, and women’s employment has increasingly become a policy focus. With an eye towards the child care system in the Scandinavian countries, which is held up as a model, particular attention has been paid to the need for more child care places for children below 4 years of age. There have thus been calls for a policy that raises the birth rate while ensuring the reconciliation of family and work (Gerlach 2010).

4.1 Basic Structural Features and Developments

In the Scandinavian countries the state has traditionally provided families with generous universal benefits and services. Table 5 presents this high expenditure for 1998 and 2012, in particular for Denmark. In Sweden, although spending has risen, it is at a similar level to that in Germany and Austria. As might be expected based on Gauthier’s model, expenditure in the United Kingdom and the Netherlands is modest.

Looking at whether the countries under examination provide monetary or in-kind benefits clearly illustrates the specific features of national family policies. It becomes evident that family-policy expenditure in the Netherlands is very low by comparison, while monetary and in-kind benefits are more or less equally high. The Netherlands,

Table 5: Overview of family policy developments

<table>
<thead>
<tr>
<th></th>
<th>Spending on family policy €/inhabitant</th>
<th>Cash benefits €/inhabitant</th>
<th>Benefits in kind €/inhabitant</th>
<th>No formal* child care for children below 3 years of age (%)</th>
<th>No formal* child care for children above 3 years of age (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>1264 1510</td>
<td>517 600</td>
<td>746 911</td>
<td>27 33</td>
<td>15 9</td>
</tr>
<tr>
<td>Germany</td>
<td>766 952</td>
<td>574 629</td>
<td>200 323</td>
<td>84 76</td>
<td>61 40</td>
</tr>
<tr>
<td>Netherlands</td>
<td>322 354</td>
<td>220 228</td>
<td>103 126</td>
<td>60 54</td>
<td>82 75</td>
</tr>
<tr>
<td>Austria</td>
<td>727 870</td>
<td>603 643</td>
<td>124 228</td>
<td>96 87</td>
<td>53 57</td>
</tr>
<tr>
<td>Sweden</td>
<td>785 1124</td>
<td>416 533</td>
<td>369 592</td>
<td>48 47</td>
<td>35 27</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>534 554</td>
<td>408 356</td>
<td>126 199</td>
<td>71 73</td>
<td>64 63</td>
</tr>
</tbody>
</table>

* Note: Four kinds of child care and education are regarded as formal arrangements: early childhood education; school-age education; child care in central institutions outside school (before or after school hours); and child care in day nurseries. Thus formal arrangements include all organised and supervised child care systems (public/private). Child care by child minders, which does not involve formal structures between carers and parents (direct arrangements), is excluded from the definition of formal care because it takes account only of child care of a certain grade (Eurostat 2014).

Source: Eurostat; authors’ presentation.
Besides low monetary benefits and services and tax concessions for periods of child rearing, provides low benefits for child care (Gerlach 2010). Further measures are regarded as down to the family and palmed off onto private arrangements. There is no effort to develop a dual breadwinner model (Knijn 2008). Thus the Netherlands represents a similar state of affairs to the United Kingdom, which in particular utilises family-policy instruments to combat poverty and in many instances makes it possible to obtain tax concessions in relation to family obligations. The family policy of Germany and Austria comprises mainly monetary benefits, which are more than double the level of in-kind benefits. This characteristic can be explained primarily by marriage and family-related taxation and tax concessions for families that do not exist in other countries or not to this extent. Germany is the only country out of the six that organised child care in the public sector at this time – with the exception of the United Kingdom, where public provision for early child care was almost non-existent – which meant that children could attend private institutions only after reaching 4 years of age. As Table 5 shows, child care provision is particularly well developed in Denmark, where around 70 per cent of children receive it, and in Sweden (with some exceptions), where around 50 per cent receive child care. However, in all the countries in our sample the care situation for the under-threes was much worse than for the over-threes. With regard to monetary benefits there were differences concerning the payment of child benefit and the granting of parental leave (in Austria and Germany long periods of parental leave were granted of up to three years).

### 4.2 Reform Activities

In the 2000s, in particular the child care situation (benefits in kind) and families’ financial situation (monetary benefits) came into focus as a way of improving the birth rate and the reconciliation of family and work. With regard to benefits in kind it should be noted that all the countries under examination organised child care in the public sector at this time – with the exception of the United Kingdom, where public provision for early child care was almost non-existent – which meant that children could attend private institutions only after reaching 4 years of age. As Table 5 shows, child care provision is particularly well developed in Denmark, where around 70 per cent of children receive it, and in Sweden (with some exceptions), where around 50 per cent receive child care. However, in all the countries in our sample the care situation for the under-threes was much worse than for the over-threes. With regard to monetary benefits there were differences concerning the payment of child benefit and the granting of parental leave (in Austria and Germany long periods of parental leave were granted of up to three years).

#### 4.2.1 Benefits in Kind

In Austria, Germany and Sweden laws have been adopted since the turn of the millennium aimed at improving the care situation within the framework of reconciling family life and work. By contrast, in the United Kingdom – where family policy is conducted as anti-poverty policy – the focus has been on the labour market integration of low-qualified mothers as a way of preventing child poverty. To this end the state for the first time took responsibility for regulating child care for the under-threes (Ruling 2010). In Germany, from 2005, 230,000 new places were guaranteed for the under-threes (Leitner et al. 2008). At the same time, from 2008 three year-olds became entitled to a care place. The number of places for under-threes was to be tripled by 2013 (Schmid 2010) and, at the same time, from August 2013 the children of working parents were to be guaranteed a care place from the age of two. In Austria in 2009 a compulsory and free-of-charge last year of kindergarten was introduced on a half-day basis (Kreimer 2011). In 2003, Sweden established a right to kindergarten care for all four and five year-olds (Kolm/Lazear 2010). In the Netherlands, by contrast, the Child Care Law privatised all child care institutions from 2005 and transferred the costs to parents (Schmid 2010). At the same time, however, schools, which four year-olds already attend, were obliged to offer care (Knijn 2008).

Despite these reforms the number of children in child care has not changed much since 2005 (see Table 5). With regard to the under-threes only in Austria and Germany has the situation changed, with around 10 per cent more children in child care; however, more than 70 per cent of the under-threes still do not have a child care place. The situation of the over-threes is similar; only in Germany has the child care situation markedly improved since 2005: in 2013, 20 per cent more children over three years of age were in child care than in 2005 (60 per cent).

#### 4.2.2 Cash Benefits

Besides the expansion of child care institutions financial incentives were created for child care in all the countries under examination except Denmark. In Austria it has been possible since 2009 to set off the costs of child care against tax (Kreimer 2011). Germany has offered this
since 2012. In Sweden the private costs of child care have been linked to parental income since 2002, although they may not exceed a ceiling per household and number of children (Kolm/Lazear 2010). In the Netherlands the state grants subsidies for child care. Furthermore, since 2006 it has been possible to obtain tax concessions for parental leave (Knijn 2008). In the United Kingdom, child care support and child allowance have been means-tested since 2003. Since 2012 allowances for middle-income families have been abolished and it has become more difficult to claim child care support. Child allowances do not exist in Denmark and Sweden. In Germany they can be paid as a supplement to family allowance. Austria and the Netherlands allow tax deductions for children (Gerlach 2010).

Monetary benefits have been cut in the United Kingdom; for example, child benefits are no longer paid to those on higher incomes and since 2012 maternity grant has been available only for the first child. Otherwise, there is no financial support for parents. In Sweden, during the period of our investigation, there were no substantive changes to parental benefits. In Denmark, by contrast, family allowance was cut for higher income families from 2014. In Germany and Austria the aim is in particular to improve the financial situation of families not on high incomes. From 2007 family allowance (Erziehungsgeld) was replaced in Germany by parental allowance (Elterngeld). Lower income parents now receive higher benefit. Furthermore, co-parenting was boosted by means of paternity leave, as in the Austrian model. Child care allowance in Austria, by contrast, was flexibilised in 2008 and 2010, with benefit level being coupled to benefit duration (Kreimer 2011). From 2015 parental allowance is also to be flexibilised in Germany. In the Netherlands support during parental leave is based on benefits in kind. Since 2001 efforts have been made to get fathers to take paternity leave (Knijn 2008). However, in Germany and the Netherlands, although more fathers than previously are taking paternity leave they tend to spend far fewer months at home than mothers (Leitner 2011). At the same time, this marriage-related benefit provides particular support to the traditional single-breadwinner model there (Mayer/ Rösler 2013). In Germany the introduction of parental allowance (Elterngeld), like the flexibilisation of child care benefit in Austria, has by no means helped to boost the birth rate. Rather in Germany having children has been postponed because parental allowance has only served to compensate the opportunity costs of working parents and benefit is linked to previous income, which means that higher earners in particular benefit from it (Mayer/ Rösler 2013).

Expenditure on family policy in the countries under examination was scarcely affected by the economic and financial crisis. However, since 1998 such expenditure has hardly changed, notwithstanding all the reforms (see Table 5). In Germany, Sweden, Denmark and Austria there was a slight increase. Family policy expenditure in the United Kingdom and the Netherlands has remained constant. This shows that financial resources for benefits and services have only been shuffled around, with little investment in new instruments.

4.3 Summary and Evaluation

Family policy in the six countries under examination was characterised during the period of study by incremental changes. Models have undergone changes focused mainly on reconciliation of family life and work and dual career couples. Germany and Austria have taken up this model, which has long been dominant in Denmark and Sweden. Furthermore, measures such as parental allowance (Elterngeld) in Germany have changed substantially in order to kick-start reforms to enhance the reconciliation of family life and work and improve conditions in this area. Because existing instruments have been changed substantially and flexibilised in Germany and Austria, while new goals have come into focus, we can talk of a third-order adjustment in Hall’s sense (1993). In all the other countries, by contrast, changes have been first-order; Sweden and Denmark already had a comprehensive family-policy system at the outset of our study and in the United Kingdom and the Netherlands only marginal changes have been made.

Despite the adjustments and the fact that family policy was pretty much unscathed by the financial and economic crisis, however, not much more money was invested in it. Instead, resources were cut, especially for higher earners, and services were privatised. The effects of the reforms have been limited to the extent that birth rates remain at a low level. The child care situation has also improved only marginally. By contrast, it is striking that more and more women are entering employment. Whether this is linked to starting a family and when they take this decision cannot be verified by the present study.
Overall, country comparison makes it apparent that, in relation to child care, German and Austrian family policy has changed direction towards that of Denmark and Sweden. The guide here is a sustainable adult-worker model aimed at raising birth rates and employment among mothers. For that purpose mothers are being helped with the burdens of child rearing through early child care provision (Leitner et al. 2008). The child care situation in Germany and Austria, accordingly, is gradually converging with that in Denmark and Sweden. In the United Kingdom, by contrast, family policy is directed solely towards child poverty relief. Dutch family policy is similar to this in that, during the period of the study, responsibility for family policy was shifted from the state onto families, thus advancing the subsidiarity principle of self-help on the part of smaller units.

5. Pension Policy

In European welfare states financial security in old age is based primarily on three pillars: insurance or tax-based pensions in the first pillar, occupational pensions in the second pillar and private provision in the third pillar. Accordingly, the relevant institutions are divided into state or public-law, company and private. The significance of these three pillars for old age income differs considerably by country, however. Thus in Europe traditional contribution-financed (the so-called Bismarck-type) and tax-financed (so-called Beveridge-type) pension models confront one another, leading to diverging mixtures of the three pillars. In the Bismarck countries (Germany and Austria) the first pillar has – to date – been central. Starting from the insurance contributions levied at work the first pillar is characterised by the equivalence and status principle, aimed at maintaining living standards in old age. By contrast, the first pillar in the Beveridge system (in Denmark, the United Kingdom, the Netherlands and Sweden) is weak, oriented primarily towards basic protection and avoiding poverty. Because of the weakness of the first pillar with regard to maintaining living standards this system traditionally depends heavily on the second and third pillars. In recent years, in particular due to the introduction of additional, fully-funded insurance in the Bismarck countries (in Germany in 2002) the two insurance systems have converged and there has been a pronounced shift towards private and occupational old-age provision.

Because of the increasing proportion of older people in the population (see Figure 6) and the longer period over which pensions are drawn the funding challenges facing old-age provision are becoming daunting. The old-age dependency ratio – that is, the ratio between pensioners and the working population – is one indicator that sheds light on the development of demographic ageing. Unfavourable developments to the detriment of the working population are evident in all the countries under

Figure 6: Old-age dependency ratio

![Figure 6: Old-age dependency ratio](image)

Source: Eurostat; authors’ presentation.
examination, although there are considerable differences between rather gentler ageing in the Netherlands and rather steeper ageing in Germany. At the same time, there are, for example, substantial differences between the United Kingdom, where the dependency ratio has been almost constant since 1998, and Germany, where it has increased by 8 per cent. These developments represent the substantive basis for the calls for reform that could contribute to cost consolidation.

The following questions arise with regard to pension development. What are the most striking changes in the established state pension schemes? Is the «division of labour» between the three pillars changing at a structural level and is a new overall configuration of national social security systems thus emerging for old-age provision?

5.1 Basic Structural Features and Developments

In order to try to understand the key developments in the pension systems of the countries under examination we shall first briefly describe the national pension schemes. In the two countries under examination with a contribution-funded pension system (Germany and Austria), the so-called first pillar dominated until 2002 and 1998, respectively. The second and third pillars have come increasingly to the fore due to the desired stabilisation of the contribution rate. For example, the state has encouraged employees to seek voluntary occupational and private provision for old age, while provision under the first pillar has been systematically reduced. Since 1999 Sweden has had a pension system comprising a standardised, tax-funded guaranteed pension, on top of which there is now a so-called general pension, borne on a parity basis by employers and employees. There also exists private provision, as well as the option of a supplementary pension (Schmid 2010). Occupational old-age provision, for example, in Germany, is regulated via collective agreements (Lindquist/Wadensjö 2011; Ebbinghaus et al. 2011).

In the Danish pension system, besides basic security, there is also a statutory supplementary labour market pension, which constitutes a contribution-funded, compulsory insurance system for all employees. As third and fourth pillars there are semi-mandatory occupational pensions and private old-age provision, also regulated by collective agreements (Schmid 2010; Andersen 2011). In the Netherlands there is a similar system, which offers a quasi-mandatory subsidized occupational pension in addition to the basic state pension and subsidised individual private old-age provision (Andersen 2011). In the United Kingdom, besides basic provision, there is an earnings-related supplementary pension and voluntary occupational pension insurance schemes and private provision models (Schmid 2010).

The different pension systems have faced a number of challenges since the late 1990s, some of which have already been dealt with. Some of these challenges will be presented by way of example in what follows. The central

Table 6: Overview of developments in pension policy

<table>
<thead>
<tr>
<th>Country</th>
<th>Pension expenditure as a % of GDP</th>
<th>Retirement age (formal)</th>
<th>Age of exit from the labour market (real)</th>
<th>Net replacement rate* (OECD calculation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>11</td>
<td>14.5</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Germany</td>
<td>12.9</td>
<td>12.3</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12.8</td>
<td>13.4</td>
<td>65</td>
<td>67</td>
</tr>
<tr>
<td>Austria</td>
<td>14.3</td>
<td>15.0</td>
<td>65/60</td>
<td>65</td>
</tr>
<tr>
<td>Sweden</td>
<td>12</td>
<td>11.9</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>11</td>
<td>12.3</td>
<td>65/60</td>
<td>67</td>
</tr>
</tbody>
</table>

* Note: «The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking account of personal income taxes and social security contributions paid by workers and pensioners» (OECD 2013).

Source: Eurostat and OECD; authors’ presentation.
reference point for all reform strategies was the desire to limit pension system expenditure and costs. These varied in extent in the individual countries, as a percentage of GDP. At the same time, since as early as the late 1990s/early 2000s the Bismarck and the Beveridge countries have not differed sharply (see Table 6). With regard to formal retirement age, Denmark stands out as being the only country that has raised it (as early as the 1990s), to 67 years of age. In common with the other countries, however, Denmark, too, faces the problem that the real retirement age is much lower. Sweden represents an exception here, with – since 2001 – the highest real retirement age. The net replacement rate makes it clear that in particular the countries with a comprehensive occupational and private additional provision for old age make it possible to maintain living standards on retirement.

5.2 Reform Activities

The prime motivation for the changes in national pension systems is the demographically-related rising costs of old-age provision, which in particular reflect the old age dependency ratio. In the past two decades a variety of changes have been made in national pension schemes as a result of this. They concern the average pension level, total expenditure on pensions, the persons covered and, not least, the relations between elements of public, occupational and private provision. In what follows we shall discuss the key levers of the retirement age, early retirement and state promotion of private provision.

The retirement age has been raised in almost every country in recent years, while at the same time since the reforms early retirement has been sanctioned with benefit cuts. Thus in Germany from 2007 the retirement age has been gradually raised from 65 to 67 (by 2029) (Stoy 2013). From 2014 retirement once again became possible without deductions from 63 years of age, on condition of 45 years’ contributions. In Denmark in 2006 it was decided to raise the retirement age from 65 to 67 by 2022. However, in the following years it was lowered to 65 years again, only to be raised once more in 2011 to 67 years of age (Kvist 2011). In the United Kingdom the retirement age was increased in 2014 to 67 years of age by 2026–2028. In 2012 the Netherlands decided to raise the retirement age to 66 years of age by 2020 and to 67 years of age by 2023. Austria has gone its own way in this respect, raising the retirement age only of women between 2024 and 2033 from 60 to 65 years of age (OECD 2013). The switches between raising and lowering the retirement age in some countries indicates how contested the issue is and the extent to which national governments are under pressure in this policy area. However, the development of the real retirement age is upwards in all countries as a result of the reforms implemented (see Table 6). In particular in Germany, the Netherlands and Sweden there has been a clear rise in the retirement age since 2001. However, Sweden is currently the only country in which the real retirement age corresponds approximately to the formal retirement age. In all other countries the former tends to lie well below the statutory retirement age.

The early retirement system is a key factor in cost savings. For example, in Germany since 2007 early retirement has been permitted from 63 years of age, with deductions. In Denmark, from 2011, early retirement will be possible only from 64 years of age instead of 63 (Kvist 2011). Old age pensions for longer periods of insurance and unemployment, as well as flexible retirement pensions were abolished in Austria from 2004. At the same time, deductions for early retirement were raised (Obinger/Tálos 2006). Early retirement is possible there from 62 years of age. In all other countries early retirement is not possible. Denmark, by contrast, has introduced incentives to delay retirement, so that prolonging one’s working life is rewarded by a pension supplement of up to 7 per cent a year, paid up to the age of 74. In all other countries, apart from the Netherlands, postponing retirement is possible with no limitations. At the same time, occupational and private provision has been promoted. While in the Beveridge countries maintenance of living standards has traditionally been achieved more by additional provisions in the occupational and private pillars, in Germany the third pillar has been embraced by the state only since 2002. The private provision that is now also being promoted is confronted by a relatively constant number of people with existing occupational pensions (Ebbinghaus et al. 2011). In Austria a voluntary state-promoted model of private pension provision was introduced in 2003. Since then there has been more take-up of occupational and private provision for old age. There has been a similar development in Sweden, where in particular occupational provision has been promoted and taken up more strongly (Lindquist/Wadensjö 2011). Overall, there has been an upgrading of occupational
private old-age provisions in contribution-oriented systems as against statutory pension insurance. In this way these countries are moving towards the Beveridge countries, though without replacing their existing path-dependent structures. Rather additional instruments are being introduced and overall objectives adjusted, so that, in Hall’s sense (1993), we can speak of adjustments of both the second and the third order.

As can be seen in Table 6, the level of benefits of the first pillar has fallen, especially in Denmark, Germany and Sweden. In the United Kingdom, on the other hand, there has been a slight rise. However, the reforms introduced in particular in Germany and Sweden have meant that pension expenditure can be lowered notwithstanding a constantly rising old-age dependency ratio (see Figure 7). Figure 7 shows that in all other countries both the old-age dependency ratio and total pension expenditure have risen. While Denmark has posted the highest overall increase, the increases in the United Kingdom, the Netherlands and Austria have been moderate. Germany, the United Kingdom and Sweden are the countries with the lowest overall expenditure. A glance at the old-age dependency ratios shows that the highest level of this indicator is to be found in Germany and Sweden, which thus face the biggest challenge to their pension systems. To that extent there seems to be a link between the size of the challenge and the intensity of cost-containment policy.

5.3 Summary and Evaluation

All the countries looked at here have implemented incremental reforms in pension policy, although they differ in terms of extent, range and effect. It is possible to learn much from the different types of system and the different countries. Policy on old-age provision in the Bismarck countries has committed itself more strongly to the instruments of private and occupational provision and thus has adopted instruments typical of Beveridge states. Beveridge-country Sweden has decisively beefed up its contribution-based pension. The changes implemented in Germany and Sweden are particularly far-reaching, although in different ways. How these changes should be categorised requires specific consideration, however.

Germany has undertaken a »paradigm change« (Ebbinghaus et al. 2011: 133), in which the hitherto marginal third pillar of pension insurance has come to be promoted by the state. Sweden and Germany have been able to consolidate expenditure on old-age provision in recent years. The price to be paid for this development has been a strong upgrading of private actors within

Figure 7: Comparison of the ratio between the old-age dependency ratio and pension expenditure

Source: Eurostat; authors’ compilation.
pension policy, as well as an increasing awareness on the part of a growing portion of the population of the danger of impoverishment in old age.

The implemented reforms point in a similar direction: almost all countries have raised the retirement age. As a result, the formal and real retirement ages have converged and people are retiring later. People in the countries under examination not only work longer today, but early retirement has been made more difficult and, because the pension available under the first pillar has been lowered, they have less money in old age. This means that, besides statutory old-age provision, occupational and private provision have become more significant and goals have changed, in the sense that almost complete protection under the first pillar is now a thing of the past. Thus private-sector insurance actors have come to the fore, leading to a change in the constellation of actors in the Bismarck countries. This also includes new requirements with regard to minimum insurance and more transparent procedures for utilising the second and third pillars.

6. Summary

The changes in the six welfare states investigated in our study between 1998 and 2014 have followed a pattern of incremental transformation, although sometimes that has had far-reaching effects overall. Long-term changes in objectives have been combined with successive and sequential change in existing instruments or the introduction of new ones. In labour market policy in all countries the passive labour market policy approach has changed to one of active labour market policy. This combines heightening the compulsion to get a job – for example, by reducing transfer payments, changing access conditions and rules on what constitutes a reasonable job – with the promotion of employability within the framework of an active labour market policy through individual supervision, enhanced placement activities and training for the jobless. Differences arise in particular with regard to the weight apportioned to these elements. While the workforce approach stresses the element of compulsion in the United Kingdom, countries such as Denmark and Austria (still) strongly emphasise qualifications.

The recent financial and economic crisis gave rise to different responses in particular with regard to labour market policy. While Germany and Austria came through the crisis relatively unscathed, Denmark and Sweden in particular have tried to respond to it anti-cyclically with higher spending on active labour market policy. In the Netherlands, too, this path was taken initially, but has been given up in the course of the most recent austerity efforts since 2010.

With regard to family policy, too, different models have been implemented, in particular in the conservative countries during the period of investigation. The measures focused, first and foremost, on better reconciliation of family life and work in order to boost the employment of both parents. For that purpose, existing instruments were reformed and expanded (child care) and, sometimes, new instruments, such as parental benefit, were introduced in order to improve conditions for reconciliation. The desired effects have to date been only partly realised, however. For example, although women’s employment rate has been raised in all countries, only slightly more children are in child care and birth rates have barely altered. However, it remains to be seen what long-term positive effects, if any, might emerge from the reform efforts.

With regard to pension policy, existing instruments have been adjusted. As a result, it has been possible to moderate the costs expected from demographic change. At the same time, in particular in the contribution-funded systems, relations between the different insurance pillars have been rebalanced. Furthermore, the goal of being able to guarantee previous living standards through statutory old-age provision has been abandoned and private provision enhanced.

Overall, social policy has been subject to stronger individualisation that, besides social rights, increasingly emphasises individuals’ social obligations and self-responsibility. The significance of the principle of status equivalence in conservative welfare states has been lowered through the reforms of unemployment insurance and the state pillar of pension schemes. In summary, there has been a hybridisation of social policy that makes categorisation in terms of ideal types difficult. While in family policy there has been a convergence with the Scandinavian model, with comprehensive care options for reconciling (women’s) employment with family life, there is a new role for labour market policy in promoting employment flexibility and maximising labour market participation across the whole age spectrum. In pension
policy there has been a turn towards the three-pillar model.

All policy areas are dominated by a focus on the labour market and recommodification. (Re)integration in the labour market, as well as the expansion of employment among previously neglected groups (women, the elderly) is the key variable in all of the policy areas we investigated. To modify one of Napoleon’s witticisms, »why be concerned with fate today? [The labour market] is fate.«
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