Cross-National Research Papers

Seventh Series:

European Cross-National Research and Policy

1. Researching the European Social Model from a Comparative Perspective

Edited by

Linda Hantrais

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Editor's Foreword

The seminars on which this new series of *Cross-National Research Papers* is based are a response to the perceived need for a forum at which social scientists can discuss the issues arising in research that crosses national, cultural and disciplinary boundaries, thereby enabling participants to learn from past experience and to plan more effectively for future international work. The seminars maintain and build on the research of existing international teams. They are consolidating links between social science research and wider society. An important aim of the seminars is to provide an informal environment for the exchange of knowledge and ideas with policy actors interested in the lessons that can be drawn from social science research.

The papers address the theoretical, methodological, managerial and practical problems arising in comparative social science research projects across EU member states and candidate countries, with the overall aim of contributing to a better understanding of the research process, improving the quality of international social science, and encouraging dialogue and transfer of knowledge between researchers and policy actors.

Specific methodological objectives of the seminars and ensuing publications are:

- to contribute to methodological advances in cross-national research;
- to develop robust theoretical frameworks for comparative analysis of social systems and policies;
- to offer training opportunities to researchers embarking on international projects;
- to create synergy between researchers from different cultural traditions within the European context;
- to promote mutual understanding of regional diversity within the European Union and Central and Eastern Europe;
- to analyse social constructions of concepts, and factors affecting the comparability of quantitative and qualitative data, and of indicators in European projects;
- to share and disseminate knowledge and promote dialogue between researchers, policy actors and users;
- to foster good practice in cross-national comparative research;
- to identify the conditions necessary for successful policy transfer and learning.

The six seminars are exploring the central theme of modernisation of the European social model within the context of socio-economic change, European integration and enlargement, and the policy challenges they present for governments. The papers from the first seminar, published in this volume, set the scene by introducing the comparative approach and the substantive content for the series. The authors examine the research methods adopted in the analysis of welfare systems from a comparative perspective and indicate the relevance of the research for policy development.

We are grateful to ESRC for the Seminar Competition Award (RES-451-26-0020, 2003–04) that is funding the seminars and publications. We should also like to thank the Jean Monnet EuroCentre in the Department of Politics, International Relations and European Studies at Loughborough University and the Science and Technology Service of the French Embassy in London for the additional support they gave for the first seminar in the series, held at Loughborough University.

Linda Hantrais

1. Researching the European Social Model from a Comparative Perspective

Ana Guillén

Even if the construction of a European social model lags well behind that of a common market, European social policy, understood as the *acquis communautaire*, has made significant progress since the late 1990s, and more especially since the Lisbon Summit of 2000 and the introduction of the Open Method of Co-ordination. Despite the heterogeneity persisting among European national welfare states, and which is likely to grow as a result of enlargement, the distinctiveness of the European Union in relation to other industrial powers lies in the existence of mature welfare states among its members. While macro-economic decisions are taken at the level of the Union as a whole, the principle of subsidiarity means that decision making in the field of social policy remains in the hands of national and sub-national governments who are fighting to protect their own interests and needs. As a result, the achievements of European integration have advanced much further in the area of common macro-economic policies than in the political and social domains. This situation poses a number of major challenges for the future of social protection, which are spelled out in the papers included in this volume. The authors examine a wide range of issues that are relevant to social policy change and reform within Europe: globalisation, European enlargement, the processes of policy diffusion and policy learning, convergence and divergence.

First, economic globalisation and the need to enhance competitiveness on the part of national economies may induce retrenchment of existing levels of social protection, raising questions about the compatibility between competitive economic policies and comprehensive and strong social protection systems. Whether mature welfare states constitute dead weights on economic progress or, on the contrary, are useful tools for competing in an internationalised economy is still a matter of heated debate. Georg Vobruba addresses this question in his paper by analysing the conditions under which economic and social policy may go hand in hand to produce virtuous circles.

Second, existing heterogeneity of national social protection systems raises the issue of whether the tendency has been for social protection standards to converge or diverge in the recent past, and what the challenges are for the future. These questions are relevant for European integration from an economic, political and social perspective. Economic integration is needed to promote mobility not only of capital but also of workers. The existence of diverse systems of social protection makes the mobility of workers problematic. Political integration is likely to remain weak, unless a sense of European identity and citizenship rights can be developed. Social inclusion is crucial if such rights are to be achieved. The question of whether European welfare states have tended to converge or diverge is particularly salient in this respect. In his discussion of convergence, Denis Bouget analyses recent patterns of change in European member states and offers tentative explanations for the trends observed.

Third, the evolution in the past and the present situation of Central and Eastern European welfare states is of central importance on the eve of the Union's enlargement. Nick Manning analyses the changes that have taken place in the transition countries, including the case of Russia. The enlargement of the Union poses major challenges for the future and is raising a large number of questions for researchers. With regard to social protection, diverse situations persist, entailing different levels of inequality and exclusion between countries and within regions and localities in the same country. In-coming countries are less developed in economic terms and enjoy less effective systems of social protection than current members. Furthermore, new members will have to adapt to a more demanding *acquis communautaire* than that faced by Greece, Spain and Portugal when they joined the Union in the 1980s.

Fourth, European integration is closely related to processes of policy diffusion, policy learning and policy transfer, both within the Union and between the Union and other geographical areas and international agencies. The process of construction of the European Union has enhanced learning about, and from, the experience of others. Policy learning has been made possible by the increase in institutionalised interaction among policy makers, the formation of epistemic communities and the publication of comparable information, stimulated by the Open Method of Co-ordination (OMC). This development has resulted in processes of policy emulation and policy adoption, or rather adaptation, since original policy formulations are usually re-interpreted in the light of national or subnational cultures, traditions and policy styles. The mechanisms by which policy diffusion and policy learning occur are elusive and difficult to analyse. Milena Büchs offers an analytical framework for interpreting the impact of the OMC with reference to labour market policies in two major European member states, Germany and the United Kingdom. Although her framework was intended to enable the comparison of the policy process in the two countries, it could prove useful for interpreting other processes of learning and diffusion.

All four authors attempt to unpack concepts. They propose methods for the advancement of research in the comparative analysis of welfare states. Georg Vobruba offers a definition of globalisation in general and of economic globalisation in particular. Both definitions are linked to institutions and their interplay with collective action. He claims that, while most definitions offer an objective view, it is important to adopt ‘a two-level approach’, so that the subjective view is also incorporated. This leads to a different approach to the construction of causalities. Vobruba also refers to a two-level approach when he discusses the European social model. He underlines the fact that globalisation is far from being a new phenomenon. Rather, it is a long-lasting trend and a reversible process. He argues that research should pay more attention to domestic and transnational conditions for globalisation.

In his presentation of the evolution of Central and East European welfare states, Nick Manning observes a clear split among the 27 countries he analyses into three different categories. He argues that path dependency has affected national settings in different ways and attributes the split to a recent process of divergence. The EU accession group can be labelled as a ‘recovery group’, since they enjoy economic growth and have the capacity to act to promote social protection. The paper also shows how the decision-making processes that developed after the communist parties lost control led to the appearance of new national and international actors. Nick Manning draws attention to the fact that different research questions (and methodologies) lead to different research findings. He stresses the need to collect original data, especially in the cases of accession countries where policy change is both intense and rapid, using semi-structured interviews with policy actors and comparative case studies. He advocates the collection and analysis of survey data to assess policy change and impact on different social strata.

Milena Büchs unpacks concepts of policy influence to distinguish direct, concealed and catalysing types of influence. She also examines definitions of deliberation, shaming, policy networks, policy diffusion, lesson drawing and policy transfer that can usefully be applied in interpreting the influence of the OMC on the policies of member states.

The imminent enlargement of the European Union heightens issues of convergence and divergence among member countries. Denis Bouget responds to these concerns by tackling the question of what exactly we mean by convergence. His discussion of convergence models is based on an extensive review of the existing literature.

Together, the papers bring to bear a range of research methods. They have in common their emphasis on the need to incorporate subjective perceptions, by 'going and asking people' about their views and attitudes on social policy impacts as a complement, or even an alternative, to the objective observations of researchers. This approach is especially important in the case of social groups lacking political voice or, in general, for socially excluded categories.

In sum, we are in need of an intense debate on how and by what means social policy can be made to produce positive results, both in current and new member states that are lagging behind. This set of papers constitutes a valuable contribution to the on-going discussion about how to achieve a more 'inclusive' Europe.

2. Conceptualising the Impact of Economic Globalisation on the European Social Model

Georg Vobruba

The central hypothesis of the paper is that the European welfare state is a quintessential strength and a basic requirement for the further successful development of Europe in the wake of intensifying globalisation effects. Yet, these effects pose threats to its survival, placing the European social model in something of a dilemma. Nonetheless, whilst recognising the challenge to EU welfare states of the rapidly increased capital mobility of labour, the paper argues that social policy is a necessary legitimising factor for globalisation to compensate losers in the process. Although it is being increasingly challenged, the continuing impact of path dependencies in welfare policy should not be underestimated. These contentions form the parameters for an investigation of conceptual and methodological problems in unravelling the effects of globalisation on the European social model. The paper suggests ways of approaching the measurement of globalisation in terms of time, spatial and sectoral effects as a means of assessing which social models are economically, socially and politically feasible in the long run. The themes addressed include approaches to the conceptualisation and measurement of globalisation, the economic and social impacts of social policy, and conceptual and methodological concerns in delimiting transformation processes.

Nowadays, globalisation is on the defensive. Why should this be? The dominant public social construction of globalisation has changed from a material constraint into a ‘hate term’. It has mutated from describing an unavoidable trend within capitalism into a symbol of an elite conspiracy against the people. From pure economic logic, it has turned into a subject of political decisions and conflicts. Following the failure of the World Trade Organisation conference in Seattle in 1999, it became obvious that globalisation could be opposed. The collapse of the world trade talks in Cancún in 2003 strengthened the public perception that globalisation is not only a danger but is also in danger.

What is globalisation? Any definition should match the following requirements: it must have institutional change as a focus; it must provide the opportunity to link this perspective with individual and collective action, either as causes or as consequences of change; and it must refer to the public use of the term and its effects. For the purposes of this paper, globalisation is defined as a process of institutional change, which leads to an intensified interdependency of remote living conditions, stimulating an increasing entanglement of interest, of which people worldwide are increasingly aware (Therborn, 2001, p. 450). Social sciences have to deal with globalisation as a practical social construction, which requires second order observations and a two-level approach: they need to observe how relevant actors perceive the phenomenon.

The present globalisation process has historical precedents. It has been, and will continue to be, triggered by politics at the national and transnational level (Held and Koenig-Achibugi, 2003; Zürn, 2003), and it depends on social preconditions. What we observe is not globalisation as such, but a construction by social and political actors based on their interest-driven observations. Thus, when sociologists speak of ‘globalisation’, they are referring to second order observations.

Some authors concentrate on one or the other of these features. Globalisation has been set in a long historical perspective (Borchardt, 2001; Robertson, 2003). Arguments have been assembled against the thesis of the powerless state (Cerny, 1996; Weiss, 1998) and in support of the social preconditions of globalisation (Rodrik, 1997; Vobruba, 2001; Rieger and Leibfried, 2003). Attempts have been made to conceptualise globalisation as a construct (Jordan 1998; Schmidt 2002). No longitudinal analysis has yet been undertaken of public perceptions of globalisation, and no empirical knowledge is, therefore, available about their development. The most advanced research on cross-national perspectives is by Martin Seeleib-Kaiser (2001, 2002). In relation to the immense body of economic and transnational elites literature insisting on the contradiction between globalisation and national welfare states, these contributions are still exceptions. Moreover, such critiques have so far scarcely led to a reconceptualisation of research on globalisation.

This paper deals with two questions: firstly, how to deal with the features of the globalisation debate outlined above; secondly, how to assess the impact of globalisation on the European social model and its core, the welfare state. To cope with the problem of organising the superabundance of contributions to these topics, the paper develops the theorem of the ‘globalisation dilemma’ (Vobruba, 2001), which makes it possible to bundle together the, as yet, isolated critiques of the globalisation debate and to give some indication of how to avoid its deficits. This discussion leads into a short sketch of the specific constellation of the European social model within the contemporary globalisation process.

Globalisation and the European social model

How can the European social model be conceptualised? The approach adopted in the paper consists of two components. First, it must contain a description of institutions that typically enable characteristic patterns of action to be identified. If we agree that explaining institutional social change means referring to individual action, which is framed by institutions, then the impact of globalisation on a social model must ultimately focus on the nexus between globalisation and national institutions. The question is how globalisation influences institutions and characteristic patterns of action. Secondly, it is important to remember that constructing a European social model is not only an academic affair. At least to some extent, political and social actors within society think and talk about a European social model, identifying with it and linking outcomes to it (Abrahamson, 2000), which involves second order observations. Two basic strands of research can thus be identified: firstly, description of the main characteristics of the European social model, theorising interrelations and pointing to outcomes; secondly, empirical questions as to whether relevant actors do talk about a European social model and, if so, how they describe it, what characteristics they attribute to it and how they act according to their understanding of it.

Despite the great organisational diversity, state-provided social security is, and can be seen as, a common institutional feature in Europe (Gough, 1997). Social security has a critical impact on individual action. It reduces the unpredictability of the future with respect to one of its most important dimensions: the material preconditions of individual existence. By mitigating immediate economic constraints, it provides a long-term perspective for individual action. In this respect, European welfare states contribute to a long-term orientation, which is built into the European social model (compared to the US). Social security reduces constraints and provides people with additional room for manoeuvre. Thus, social security causes ambivalent outcomes. On the one hand, the room for manoeuvre enables people to take on risks, to contribute to economic and social innovations and, ultimately, social change, or at least to tolerate it. On the other hand, the mitigation of economic constraints opens up the possibility of maintaining the status quo (Vobruba, 2003)

If this conceptualisation of the impact of state-provided social security is adequate, then the question of how globalisation affects European welfare states lies at the core of an understanding of how it impacts on the European social model.

GLOBALISATION AS A HISTORICAL TREND THAT MIGHT BE INTERRUPTED

The idea of globalisation, and the place it occupies in 'world society', is as old as modernity itself. The term first came into use as a normative orientation within philosophical discourse. Emmanuel Kant (1912–23) was able to present his 'welt-bürgerliche Absicht' as an optimistic moral project in the same way as 'proletarian internationalism'. The emergence and development of capitalism led to the process of realising the world society. Thus, the normative idea of a world society came to be accompanied by real-globalisation, namely by increasing foreign trade, transnational competition and migration. Not surprisingly, real-globalisation distorted the central normative expectations of the idea of a world society, because it by no means led to a global community implying the potential for global solidarity. Rather, it triggered new conflicts of interests.

Globalisation is neither something entirely new, nor does it develop with great speed. Robbie Robertson (2003) speaks of 'three waves of globalization', pointing to the expansion of early high culture empires, and two further waves of globalisation: the one in the course of expansion of the industrial capitalist system and the other in the present wave. Arguably, subsuming early high cultures and capitalism into a single perspective results in a problematic overgeneralisation. Nonetheless, it is important to note, that, within the development of capitalism, we are facing the second wave of globalisation, entailing a severe economic decline and several decades of nationalistic isolationism (Borchardt, 2001). Observing globalisation in a long historical perspective draws attention to three important points. Firstly, not only theoretical arguments but also empirical clues can be found to show that globalisation is a trend inherent in capitalism. In the very long run, globalisation seems to be a steady economic trend in the modern capitalist world society, but it can be interrupted. Secondly, although globalisation has never been an automatism, it has been stimulated by political decisions. This feature has become more visible to the public due to a number of recent basic decisions and treaties (NAFTA, EU, MERCOSUR). Thirdly, even if, in the perspective of single countries, the process of globalisation might be unavoidable, in the short term, it can be evaded. Participation and non-participation in the globalisation process have causes and consequences that can be anticipated and are subject to political calculation and decisions.

THE GLOBALISATION PROCESS AND POLITICAL DECISIONS

Political actors worldwide are driven by the conviction that, at present, a dramatic thrust of globalisation is occurring. The 'globalisation shock' is a term often used in public and scientific discourse, suggesting the idea of an unexpected, sudden development beyond political control. In reality, the globalisation process is neither new, nor is it occurring at great speed.

Paul Hirst und Graham Thompson (1996, p. 22) have collected data to describe processes of transnationalisation of national economies since the 19th century. If the volume of foreign trade is taken as an indicator, transnationalisation is found to have increased steadily until the beginning of the First World War. It stagnated between 1913 and 1929 and collapsed in the course of the world economic crisis. World trade did not recover until the end of the Second World War.

The 'relative openness' of important national economies, defined as the volume of foreign trade (exports plus imports) as a percentage of GDP, steadily increased from 1950, but not at a spectacular speed. In 1973, it was at a lower level than in 1913. The data on migration into the United States, the world's most important goal for migration, show a similar feature. Although foreign trade is still a major force in transnationalisation, since the 1960s foreign direct investments are increasingly superseding it, with the result that the volume of worldwide foreign trade is increasing faster than GDP, and foreign direct investments are increasing faster than the volume of foreign trade. Compared with foreign trade, the fast growing volume of foreign direct investments lies in the fact that they are more likely to endanger the autonomous political scope for manoeuvre, and it is more difficult to regulate them. These features are of crucial importance for the analysis of new qualities in the current processes of globalisation, in particular for assessing the impact on national welfare states.

Participating in the globalisation process causes pressure on modernisation, by creating costs that are distributed unequally between people and over time, creating winners and losers. In the short run the costs are greater, while in the long run the gains are greater. Whereas it is usually clear who is bearing the costs, the gains appear to be more diffuse. As a result, a typical problem arises for processes of modernisation and transformation of societies: the bearers of the short-term costs tend to prevent society from developing in a way that might, in the long run, be to the advantage of all. Short-term losers may, therefore, jeopardise participation in the globalisation process, with the result that society as a whole misses out on the long-term benefits of globalisation. Any political management of modernisation has to cope with coalitions of employers and employees that oppose participation in the globalisation process.

Under the pressure of international competition, the distinction between globalisation winners and losers is more important for the organisation of interests than the distinction between capital and labour. The shared expectation of being a loser in international competition spurs coalitions between employers and employees to prevent free trade. Usually, such efforts are accompanied by rhetoric focusing on the national community and on a class-transcending national 'solidarity'. In some historical cases, such coalitions between capital and labour against transnational integration are extremely destructive with respect to domestic as well as foreign politics. Hans Rosenberg (1967) has rightly stressed that a direct path exists from German economic protectionism at the end of the 19th century towards national socialism. More concretely, the development of parts of German heavy industry directly led to national socialism (Ullmann, 1988, p. 143).

However, it is not necessary to focus exclusively on such an extreme form of isolationism and violence. The history of several dictatorships teaches us that isolationistic attempts fail, but they fail after a long time and at immense costs. Their failure is caused by the discrepancy between their imagined and real autonomous economic capacities. Numerous historical examples can be cited of this vicious circle. Economic isolationism accompanied by nationalistic community rhetoric is followed by political isolationism. Economic isolationism causes losses in economic efficiency and increasing welfare gaps vis-à-vis other countries. At the extreme, political isolationism can turn against its people. Manifestations of discontent are suppressed in the name of the common national interest. Cases in point are the socialist countries and Spain under Franco.

As world society develops from humanistic imagination into reality, awareness increases that participating in the globalisation process causes costs. To avoid these costs, the presumed losers are likely to oppose all political decisions that result in an intensified participation in international competition. For these people, the nation state becomes a bulwark against globalisation.

Endangered globalisation or the dangers of globalisation

The essence of these historical examples can be briefly summarised as follows: as in rapid modernisation processes in general, a country's participation in the globalisation process causes winners and losers. Four possibilities can be distinguished. The first two types do not cause problems:

1. Short-term and long-term winners support the participation in the globalisation process.
2. Short-term winners become long-term losers, but do not represent a serious threat.

The second two other types are both problematic and interesting:

3. Short-term losers, who become long-term winners cause the political problem of bridging.
4. Short-term and long-term losers represent the problem of compensation.

Successful participation in the globalisation process crucially depends on the presumed losers. The key question is, how to make the costs associated with globalisation bearable and to offer something to the presumed losers.

Public discourse on globalisation increasingly focuses on the losers. Globalisation is primarily seen as a major cause of rising inequalities between the first and the third world as well as within countries (Wade, 2003). With regard to Europe, the political construction between globalisation and national welfare states has undergone a remarkable change. In the past, globalisation was perceived as a material constraint with retrenchment of the welfare state as the unavoidable consequence. Whether it is due to pure economic ideology, a political strategy of blame avoidance or true convictions, a negative nexus between globalisation and social security has been established. Globalisation is unavoidable, so should we forget about the welfare state? This nexus still persists, but its political impact has changed, as the public perception of globalisation as an economic constraint has turned into an understanding of it as a result of political decisions. If more globalisation means more inequality and less social security, then should we drop globalisation?

The need for social policy

The argument that follows excludes the possibility that national elites promoting the participation of their country in the globalisation process can overcome the resistance of presumed losers by non-democratic means. The next question is, therefore, how losers in globalisation might effectively veto participation in the globalisation process. Within democratic systems, capital interests alone can hardly prevail. The political importance of globalisation losers derives from coalitions of employers and employees within loser branches of the economy. Such coalitions emerge on the basis of the common interest of capital and labour to maintain ‘their’ firm. This explains why representatives of business interests call for protectionism in the name of the protection of national labour, which immediately elucidates the importance of social policy in making participation in the globalisation process feasible. This raises the question of why social policy is a precondition for successfully participating in the globalisation process.

The chance of achieving protectionism is based on the fact that workers are dependent on their workplace. Their dependency is higher in cases where they have no alternative means of making a living. Any room for political manoeuvre against claims for protectionism must then be based on institutions that mitigate the workers’ dependency on their place of work.

The theoretical argument about the additional use of social policy has shown that buffering the negative consequences of processes of modernisation is a classical effect and can be a task for social policy. Within the framework of systems theory, it has been argued that social policy enforces functional differentiation. In particular, it enables the economic system to focus exclusively on efficient production by shielding it from social demands (Huf, 1998). From a theory of action perspective, social policy as a source of income can be seen as mitigating individual problems of material existence and the constraints of the labour market. Consequently, politics that, at least temporarily, endanger the workplace improve its chances of being tolerated, if the people involved and the enterprise can rely on social policy. Any further recourse to social policy leads to the hypothesis that the success of the political decision to participate in the globalisation process depends on one country’s ability to compensate for its costs through social policy. More specifically, presumed losers in the globalisation process must be able to expect that their welfare state will provide them with some form of compensation. Historical examples (Rieger and Leibfried, 1998), as well as empirical evidence from international comparative research (Graham, 1994), provide at least some support for this hypothesis. We can conclude that social policy adds to the chances of globalisation being successful and sustainable.

So far, arguments have been presented in favour of the thesis that governments need to support their decisions to participate in the globalisation process using social policy. This does not tell us whether they are able to do so. The dominant assumption is that globalisation undermines the material basis of national welfare states (Wilding, 1997). The globalisation dilemma can, therefore, be formulated in the following terms: social policy is a precondition for globalisation, but globalisation undermines national welfare states.

Out of the globalisation dilemma

Empirical evidence can be found in the history of Europe in the 20th century that, contrary to present common sense thinking, globalisation and the development of modern welfare states in Europe can, at least, coexist. They do show some remarkable similarities. The development of modern European welfare states began at the turn of the 20th century. After the end of the First World War, they stagnated at the level they had reached at that point. During the world economic crisis, a certain dismantling of welfare states occurred, varying from country to country. After the Second World War, a new phase of expansion occurred. The full maturity of European welfare states is a result of the 1950s and 1960s. Within the past few decades, the development of welfare states has again been stagnating. With the exceptions of countries like New Zealand, the prognosis of a dismantling of welfare states (Borchert, 1995) appears to be highly exaggerated.

The development of globalisation shows a surprisingly similar pattern. Within the decades before the Second World War, a rapid increase occurred in international entanglement. The period between the wars saw a remarkable setback, and then, in the 1950s, globalisation again increased. Since then, the trend has been steadily upwards. Finally, not unlike welfare state development, the upwards trend has flattened in recent years.

Observation of a parallel development of European welfare states and globalisation does not prove a systematic incompatibility between them. A theoretical argument is needed to demonstrate whether the present globalisation dilemma can be resolved.

Stating that globalisation destabilises national welfare states results in the obligation to show how globalisation affects welfare states. Generally speaking, welfare states are stable if a balance exists between the resources they can attract and the demands they have to cope with. Their resources consist of contributions and/or taxes. The demands on them are a result of the level of social political payments and the number of contingencies for which they are responsible. The question of how globalisation affects national welfare states can be split into two more concrete questions (Ganßmann, 2000). Is globalisation likely to erode the material basis of national welfare states? Is globalisation likely to cause additional social problems for national welfare states?

In answer to the first question, generally speaking, participation in the globalisation process triggers economic growth. At least, that is the basic argument for globalisation. It can, therefore, be concluded, *ceteris paribus*, that, in the course of globalisation, the yield from taxes and contributions will increase in a given country. The objection can be raised that this *ceteris paribus* assumption is unrealistic. It might be stated that national governments are forced by economic globalisation to reduce taxes and contributions. This is a common objection, especially with regard to theses cases where the lion’s share of taxes and contributions is closely linked with wages, which create high non-wage labour costs and, thereby, damage international competitiveness, compared to low-wage economies.

This objection is dubious in a twofold sense. Firstly, the problem of competition between high and low-wage economies only exists at a very low level. This is because globalisation almost exclusively affects the rich high-wage economies. The overwhelming share of foreign direct investment flows go from high-wage economies into high-wage economies. Moreover, firms are currently more and more reluctant to invest in cheaper world regions, which causes serious damage to regions that can offer cheap labour power but do not offer sufficient non-monetary conditions of production. This applies to several of the successor states of the USSR and, even more so, for Africa. High productivity in high-wage economies by far compensates for the high wage and wage-related costs. When costs per unit are compared, which is what counts, high-wage economies can readily compete.

Taking Germany as an example, plans to reduce the burden of taxes and contributions to improve international competitiveness have failed, but this failure by no means results in a failure in exports. Germany's and Austria's wage and non-wage labour costs are high, but in recent years their labour costs per unit have decreased steadily, hence securing their international competitiveness.

All in all, globalisation has very little impact on the resources of national welfare states. However, problems may arise due to political misperceptions of the impact of globalisation. This situation is difficult to distinguish from the possibility that politicians are pursuing special interests against welfare states by alleging coercion caused by globalisation.

Secondly, is globalisation likely to cause additional social problems that are the responsibility of the welfare state? The most expensive risks covered by modern welfare states – old age pensions and health security – develop almost independently from economic globalisation. At least in Germany, liberal-conservative discourse against the welfare state has shifted from globalisation to the ageing society as the main threat for the welfare state, which can be seen as an implicit acknowledgement of the minor impact of globalisation on European welfare states. On the contrary, globalisation has a direct impact on labour markets, hence affecting unemployment insurance systems. This consideration demonstrates the restricted realm of possible consequences of globalisation for national welfare state expenditure.

Changes in export/import relations as well as foreign direct investments are likely to trigger changes in the international division of labour, which might have an impact on national labour markets, because of changes in the demand for labour. In addition, changes in the supply side of the labour market might be caused by transnational migration. Both effects are likely to cause additional unemployment, which may be transitory or permanent.

At this stage of the argument, it becomes clear that the labour market is the link between globalisation and welfare states. The impact of globalisation on welfare states operates via national labour markets. Following public discussion of international competitiveness and the threat of job losses due to high overall labour costs, globalisation might be expected to manifest its impact on high wage economies, in particular in the EU, by reducing the number of jobs. Surprisingly, since the 1980s, growth rates of employment in all EU member states, Japan, Switzerland and the US are positive. In most countries, the development of the number of people in employment shows some dents, but everywhere employment in 2002 was higher than in 1985. These data hardly fit with predictions (and fears) concerning the relationship between globalisation and the threat of national labour markets. It may be that, under the surface of these aggregated data, structural changes are taking place, which cause sectoral job losses. Rapid changes in the international division of labour may be a primary cause for shrinking labour demand in several sectors of the economy in mature capitalist economies. Even if the level of total labour demand remains stable or is rising, globalisation may lead to irreversible job losses in several branches. This takes us back to the two crucial types of globalisation credos: short-term losers who are long-term winners and short and long-term losers.

Bridging and compensating

At least in the short run, political decisions are at the root of participation in the globalisation process. The acceptance of such decisions crucially depends on the way potential losers are dealt with within globalisation and their political veto power. On the one hand, the welfare state can support participation in the globalisation process, but on the other, globalisation does not support the stability of welfare states. This is precisely the globalisation dilemma: globalisation requires backing by the welfare state at the same time as it imposes burdens on it. This dilemma is by no means unsolvable. Normally, the negative impact of globalisation on national welfare states is grossly overestimated. Globalisation hardly affects the resources of welfare states. Its negative impact is concentrated on social problems related to labour markets: financial room for manoeuvre and a limited increase in socio-political problems.

With regard to the two types of losers from globalisation – short-term losers who become long-term winners and short-term and long-term losers – the following distinction can be made between two basic types of welfare state strategies: bridging involves maintaining labour power for re-entry into the labour market and qualifying for it; compensating means offering alternatives to the labour market, which may result in unrestricted access to social transfers, access to income from capital, or both.

With respect to bridging, among the losers in the globalisation process are many unemployed people, who can realistically expect future opportunities in the labour market. In these cases, socio-political measures are appropriate to maintain readiness for employment and support the ability to work. In terms of globalisation credos, social payments that secure the status of income, support willingness to work and offer further training are more or less adequate for short-term losers who are long-term winners. In other words, wage-labour centred social policy deals with this type of problem.

With respect to compensation, all those who are short and long-term losers bear the lion's share of the social costs of globalisation. If it is true that participating in globalisation generally causes gains in welfare, but parts of the population are excluded from direct access to these gains via the labour market, then other mechanisms are required to give them a share of welfare gains. As argued above, this is not just a question of passionate interest, but it could turn out to be a precondition for the acceptance and feasibility of globalisation.

All kinds of wage-labour centred social policy that keep people in a waiting position near the labour market are not appropriate for the short and long-term losers in globalisation. It does not make sense to force permanently excluded people to orient themselves towards dependent work. It is important to offer them alternatives to the labour market. Thus, the question about other income sources and how to regulate and further them politically becomes relevant. In modern societies, entirely based on money, a limited number of sources of income are available. Agriculture has lost its function as an autonomous source of income and as a possibility of retreat for the unemployed. Worldwide rapid urbanisation is destroying the basis for all sorts of income in kind. Three sources of income in cash remain: the labour market, capital and the welfare state. Different income mixes can also be imagined (Vobruba, 1998), composed of these three types of income. Income from capital as well as payments from the welfare state can be seen as compensation for loss of wages caused by globalisation. The idea of compensating the losers within globalisation through the welfare state refers to the basic income discussion, especially to the idea of a negative income tax, which enables legal combinations of socio-political payments with other kinds of income. Political support for capital incomes as a compensation refers to the idea of a 'share economy' (Meade, 1986), which might be adopted in the discourse on globalisation. The underlying consideration is that gains caused by globalisation that emerge as profits should be distributed by enlarged participation in capital earnings, hence compensating at least in part for the loss of wages.

To summarise the analytical results of my thoughts, seven deficits of the globalisation debate can be identified: perceiving globalisation as a totally new and historically unique phenomenon; understanding globalisation as a sort of material constraint instead of dealing with it as triggered politically; perceiving globalisation as an irreversible process; overlooking the social and political preconditions of globalisation; attributing all kinds of globalisation to effects that are caused by economic globalisation; taking globalisation literally instead of pointing at its selectivity; and approaching globalisation in an objectivistic way instead of dealing with it as a practical social construction.

Within the last decade, the public discourse on globalisation experienced far more rapid developments than did its subject. This fact alone indicates that social sciences must pay more attention to the public understanding and use of terms like 'globalisation' and 'the global market' (Jordan, 1998, p. 9). However, it is important to be aware that, in one sense, the peculiar ways of understanding globalisation are also an aspect of globalisation itself: it is not globalisation as a pure fact (*factum brutum*) but its concrete perception that triggers political reactions. This requirement fits with general contemporary efforts to develop a sociology of political knowledge.

The policy perspective

Reference to the political perspective requires a change in the level of discourse. It is no longer about second order observation but about the attempt to use findings from second order observation to intervene in the practical construction of globalisation. Globalisation and national welfare states can be seen as mutually supportive. Globalisation yields additional economic growth, and hence compatibility with the welfare state must be a matter of distribution. Social policy paves the way for public acceptance and for the success of globalisation under democratic roles. Consequently, by providing national welfare states with adequate financial resources, globalisation secures its own sustainability.

However, this relationship also has the potential to operate the other way around: If relevant actors think that globalisation will destroy the welfare state, then it can have this effect. Welfare state retrenchment, publicly justified by globalisation, is likely to lead to resistance against globalisation, diminishing its economic potential, thereby creating reasons for further cutbacks. In this case, globalisation really endangers national welfare states. But then, as argued in this paper, globalisation is also endangered.

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3. The Transferability of Welfare Models between East and West

Nick Manning

This paper explores some of the classic questions that the collapse of state socialism has posed for the understanding of macro change in European societies, including how the societies of Central and Eastern Europe have diverged in their development since 1990, and why. In particular, it asks whether there has been diversity from a common origin, or path dependency from diverse origins, and analyses the models that are emerging in Eastern Europe. It examines the difficulty in determining whether such general comparisons hold right across a society, or even across its welfare system, and to what extent particular welfare areas affect the argument. Examples are drawn from case studies, panel surveys, omnibus survey, and the UNICEF monitoring project. Each approach is shown to have its strengths and weaknesses, but together they can offer a multi-method basis for identifying the main contours of welfare change, and the social issues with which they have to grapple. The pattern of change is analysed with reference to actor-network theory and policy networks across two welfare areas, pensions and healthcare, as they have developed in different countries. An alternative approach is suggested involving study of the extent to which changes are consistent across social groups, by looking at the interests of women and children as they have been affected by changing policies.

This paper examines welfare and welfare state change in Central and Eastern Europe (CEE), including Russia, since 1990, and considers the extent to which change arises from the adoption of models from western Europe and the international policy community. State socialist societies had a distinct and internally consistent approach to welfare issues, warranting the attribution of a particular type of welfare regime, which could be set alongside the better known types of western welfare states. In common with west European societies, social policy was dovetailed with labour policies, enabling adequate investment in the reproduction, maintenance and motivation of human capital for the economy, while social needs and problems were addressed sufficiently for political legitimacy to be retained for the most part.

Much has changed since the communist parties lost control of the central European societies in 1989, and eventually the Soviet Union in 1991. The initial effect was political. Social movements and civil unrest had been growing throughout the late 1980s, and early elections were seen as the primary target of those (mainly middle class) citizens who yearned for greater political freedom. This was rapidly followed by the informal and formal growth of markets for consumer goods, and eventually for money, industry and services. New actors appeared in these arenas. For example, many of the green movements that had been allowed, and in some cases encouraged, to form in the 1980s gave important experience to the younger generation in self-organisation and political mobilisation. A great many of these activists swapped institutional politics for movement activism once the opportunities presented themselves (Lang-Pickvance *et al.*, 1997). The new markets were rapidly populated by criminals, displaced academics and, not least, re-invented members of the *nomenklatura*, who had lost their positions of power with the collapse of the communist parties.

However, the forces driving such changes from both inside and outside the region were not particularly concerned, either personally or in principle, with meeting social need. On the whole, the majority of the new actors were men. A particular kind of state socialist gender equality has been de-institutionalised, and women have had to continue to cope with the double burdens of paid work and family responsibilities that had been a mark of state socialism, but under more trying circumstances (Pascall and Manning, 2000). Social needs and the social policies designed to meet them have not been a priority in the new societies, while social and health problems have mushroomed. Poverty and inequality, infectious diseases and alcoholism, and homelessness have all risen sharply, while life expectancy, employment rates and population size have declined (UNICEF, 1999).

Diversity and path dependence

One of the classic questions that the collapse of state socialism has posed for the understanding of macro change in European societies is that of how the CEE societies have diverged in their development since 1990, and why. So far as social policy is concerned, three phases can be identified. Initially, some rapidly implemented policies were put in place by the new governments in anticipation of the social consequences of the emergence of market mechanisms in the post-communist era. New schemes for fairly generous unemployment benefits were enacted in most countries, including Russia. Otherwise, social policy changed little prior to the round of new elections that had taken place by the very early 1990s.

With the new governments, most of which were characterised more by their distance from the communist parties than internal coherence or social rootedness, new social policy debates began to emerge in phase two, producing a more complex picture of change. First, unemployment benefits were cut back, as an unsustainable expense. Second, the key policy actors engaged in thinking about policy changes were involved in different policy networks. For some, such as the *visegrad* countries, the prospect of emulating the European Union, both in terms of living standards, and political and economic security, led to discussions about devising either social democratic or corporatist welfare systems. For others, and in particular Russia, the heavy hand of the International Monetary Fund (IMF) made loans and credits dependent on following a liberal ideology in which an American-style residual welfare state was paramount.

The third phase was marked in 1998 by two key turning points: the return of five Central European countries (CEEurope) to levels of economic production that they had enjoyed in 1989, and, in marked contrast, the further lurching collapse of the Russian currency, with a related and sudden jump in rates of poverty, inequality, inflation and unemployment. Divergence was here revealed in all its clarity.

These patterns may be evidence of diversity from a common origin, or path dependency from diverse origins. Path dependency has been the subject of wide-ranging multi-disciplinary reflection (Goldstone, 1998), and is generally used to explain stability in systems where relatively unique initial conditions fix developments despite changing circumstances. Typically, path dependency posits some kind of institutional lock-in of actors' behaviours, for example through resource dependency, cultural habits, or costly alternatives. Walter Korpi (2000) has explored these effects on west European social policy: the survival of the ‘Scandinavian model’, despite the pressures of global financial flows or EU membership, suggests such path constraints, just as does the recent resistance of the German policy community to substantial changes in German welfare arrangements.

The regions and countries of state socialist Europe undoubtedly contained long-standing variations that Russification, the Warsaw Pact and COMECON had been unable to eliminate. In a sense, three path dependencies can be identified. On the one hand, all these countries were recognisably part of the same economic and social system, epitomised visually by the common pattern of state socialist urban development and infrastructure that developed in the middle of the twentieth century. However, the policy constraints that operated from the USSR for 50 years were in the end too weak to contain the second path dependency, namely the desire by local elites for autonomy and freedom to take their own developmental paths. This they have done, despite the existence of a third set of path constraints provided by two sources: the ambition of some to join the EU club, including its social dimension, on the one hand; and the neo-liberal policy solutions proffered and often formally required in return for help from the IMF and the World Bank, on the other (Deacon, 2000). Evidence for a third potential source of path constraint, the economic pressures of global economic forces independent of political forces, is not widely supported empirically or theoretically (Alber and Standing, 2000).

A number of typologies that have emerged in the literature for grouping together the various paths that the 27 countries in Eastern Europe have begun to travel, summarised in Table 3.1.

The economic situation of these countries is highly varied. Nevertheless, a clear pattern has emerged (Manning, 2001). The EU accession group is marked by a return to growth, less poverty (although not necessarily low unemployment), lower rates of teenage pregnancy and lower rates of infectious diseases. This group might be characterised as the ‘recovery group’, in which economic growth has returned, governments have the capacity to tax and spend for social intervention, and social costs have been contained. At the other end of the scale, in what might be called the ‘disintegrating group’, are the Central Asian and Caucasus countries (and regions of Russia in Northern Caucasus). They are typically exhibiting very high rates of poverty, growing levels of infectious disease, extremely low levels of government expenditure as a proportion of GDP, a return to traditional patterns of marriage, and economies that, for the most part, have failed to return to a vigorous pattern of growth. In between these two extremes are a variety of countries struggling with different problems. Two types can be distinguished. Those in which conflict has disrupted economic and social life to such an extent that it is difficult to identify a stable trend in terms of social costs and their amelioration. The Balkans and Caucasus areas might be included here. A final group covers countries in which economic growth has only just materialised, where, as a consequence, a large section of the population is suffering, but in which every potential exists for a better future in terms of available raw materials and levels of education. This group is ‘struggling’ and may or may not join the EU accession pattern in the future. The pre-eminent case is, of course, Russia, highly significant for the region as a whole because of its overwhelming size. Where countries are large, internal regional differentiation is growing fast, as is also most obviously the case of

Russia. Diversity there surely is. How and why this has developed remains a contested issue.

Methodological issues

The difficulty with such general comparisons is whether they hold right across a society, or even across its welfare system, knowing what is being compared, and to what extent the particular welfare area being examined affects the argument. Following the critiques that have been mounted against Gøsta Esping-Andersen's 1990 regime classification, heavily based on the interests of working age men, by those who claim that it does not adequately capture the experiences of women (for example Lewis, 1992), it follows that it may also be unsuitable for ethnic minorities, older people, sick

***Table 3.1* Typologies of social policy and reform in CEE countries, 1995–2000**

World Bank	
Most reform	Poland, Slovenia, Hungary, Croatia, Macedonia, Czech and Slovak Republics
Some reform	Estonia, Lithuania, Bulgaria, Latvia, Albania, Romania
Less reform	Kyrgistan, Russia, Moldova, Armenia, Georgia, Kazakstan
Laggards (no reform)	Uzbekistan, Ukraine, Belarus, Azerbaijan, Tajikistan, Turkistan
UN Development Programme	
Liberal approach	Poland, Czech Republic, Hungary, Baltics
Late reformers	Bulgaria, Romania
Non-liberal	Belarus
Conflict over whether to liberalise	Russia, Ukraine, Slovakia
Political breakdown	Armenia, Albania
European Bank for Reconstruction and Development	
'Transition indicator' *	
3.4	Central Europe
3.2	Baltics
2.4	Western CIS
2.2	Central Asia
Deacon	
West European welfare state (mixed Bismarck Insurance, e.g. payroll taxes, and Scandinavian state finance)	Czech republic, Hungary, Poland, Estonia, Slovenia
Conserve state & workplace benefits (which may collapse and lead to residualisation)	Russia, Bulgaria, Romania, Macedonia

* EBRD composite judgement of economic and political reform along 8 dimensions: 1 indicates no change, and 4+ indicates a level typical for 'advanced industrial economies' (EBRD, 1999, p.25). Thus 3.4 suggests a level of reform that brings a country close to economic and political circumstances typical of western Europe; whereas, comparatively, 2.4 suggests a considerable distance.

Sources: World Bank, 1996; EBRD, 1999; UNDP, 1999; Deacon, 2000.

and disabled people, and so on, for 'the discriminating properties of generalised models of welfare regimes are now being more and more questioned' (Lewis, 1998, p. 20). Some of the interests of these groups may be located within the kind of services they need, for example healthcare, and some located within the characteristics of people themselves. For example Jens Alber and Guy Standing (2000) acknowledge that, in assessing the range of national strategies that might have been influenced by 'social dumping', considerable differences can be found between labour issues and social service issues. Similarly, domestic politics surrounding the expansion or contraction of social provision is known to be heavily affected by whether a service is widely used and supported, such as healthcare, or targeted on a smaller section of the population, such as income support, with a smaller interest base. Anneli Anttonen and Jorma Sipilä (1996) found that, in considering the social care of children and older people, welfare regime types were at variance with those derived for income support. Indeed, Victor Pestoff (1996) argued that it was better to classify social policy changes in CEEurope by service than by country, suggesting, for example, that it made more sense to distinguish between services where change had been rapid (unemployment) and those where it was slow (pensions), or where services had severely deteriorated (health and housing).

A further issue in tackling these questions is that of the methods that can be used, and the kind of data they can generate. The literature gives examples of the whole range of social science methods, from deep case studies using qualitative methods of observation and unstructured interviews, to large-scale representative longitudinal household (panel) surveys. Most methodological debates have now moved beyond the quantitative versus qualitative argument to agree that different methods are suitable for different questions; none is superior, but some may be more appropriate. Sharply varied costs are attached to different methods. Reanalysing published national data is one of the cheapest and most readily accessible forms of data. A typical example would be the data presented by Alber and Standing (2000) to examine the question of whether convergence is occurring among welfare states and, if so, to what extent this could be identified over time as related to economic growth. However, as they acknowledge, these data are themselves highly abstracted measures of the reality of different social policies, usually confined to social security expenditures. Moreover, a number of alternative and rival explanations can be offered as to any patterns found. With global competition, states may cut social expenditure to lower labour costs, or raise expenditure to protect the vulnerable. With international harmonisation, states may learn new models and strive to raise social standards or to reduce the 'burden of government'. They conclude, 'social science has difficulty in arriving at a common interpretation of recent trends' (Alber and Standing, 2000, p. 102).

The alternative is to collect original data for the purpose to hand. Many case studies are available in the literature covering one or two countries, or one or two services. Many are commissioned by international agencies, such as one of the UN bodies. These are valuable in generating hypotheses, but are very difficult to generalise from by way of an aggregated picture. Systematic comparative case studies of a small group of countries, regions or cities have become more common, and are much better at identifying unique and common dynamics and mechanisms of the way in which social policies are evolving across the region. The only alternative beyond this is to undertake systematic surveys of one kind or another. A few examples are given below.

Panel surveys, in which the same households are asked questions year after year, are extremely good at identifying change. Although western Europe now has a household panel survey working for quite a wide range of countries, this is not the case in CEEurope. Two panel surveys are available for Russia, one of which (the Russian Longitudinal Monitoring Survey) has had 10 survey rounds since the early 1990s. The data are publicly available from the University of North Carolina at Chapel Hill. The survey has encountered some financial difficulties, however, since this kind of research effort is expensive, and the focus has been on a range of rather general social issues. A second example is a series of studies using four rounds of semi-qualitative interviews with the same Russian households since 1996, designed to identify changing social needs and household survival strategies (Manning and Tikhonova, 2003). Again finance is dependent on renewed grant funding.

Most countries support a range of repeated omnibus surveys, with a large and representative sample of the population. The questions tend to vary, depending on the interests of those paying for them, although where they remain constant, quasi panel data can be constructed. Again, these surveys tend to be rather general, and are difficult to use to address very specific issues. However Richard Rose, at the Strathclyde Centre for the Study of Public Policy, has made creative use of a number of these in his series of studies in CEEurope (see http://www.cspp.strath.ac.uk/)

One final, and in the context of CEEurope, probably the most significant data source, has been the ‘UNICEF monitoring project’. This is funded by the World Bank, and managed by the Innocenti Research Centre in Florence. Since 1993, the project has monitored the social needs of children and families throughout the 27 countries of the region, to identify social policy developments, and to gather a consistent and publicly available data source for further use. Each annual report has contained a mixture of regular data and special in-depth studies of particular social groups or social needs, or policy developments. The annual data sources include: an expert social policy survey in each of the 27 countries carried out by UNICEF field officers; UN (for example WHO), World Bank, OECD, and official government published data; and guest expert summaries of case studies and other independently published research material. A summary of the numerical data is provided on line free of charge as the TransMONEE data base, the latest of which appeared in 2001 (http://www.unicef-icdc.org/resources/)

It is axiomatic for any research that the questions posed and the methods chosen should be compatible. The questions asked in the search for patterns and causes of welfare state change, and the consequences of global economic forces are often given a theoretical context, which makes them almost impossible to answer effectively within the cost and feasibility constraints that face social science research in this area. Each approach has its strengths and weaknesses. Whether together they can offer a multi-method basis for identifying the main contours of welfare change and the social issues with which they have to grapple remains a disputed issue.

Approaches and examples of policy studies

In view of the various points raised so far, it is appropriate that the main question, as to whether it is possible to understand the pattern of welfare state development in CEEurope and, in particular, whether this is the result of the adoption or rejection of western European models should be tackled through the examination of specific parts of the welfare state and specific social groups. For reasons of space, this paper can only touch on the kind of work that can be done; a full-scale analysis would be a major research project in its own right. Two options appear to be available: to examine either policy variation or the circumstances of different social groups.

A useful approach is to ask relevant officials why they have made the policy decisions that they have. Little research in the literature reports on senior policy actor interviews. However, Manning *et al.* (2000) did interview officials, and carried out repeat interviews after 12 months, addressing the issue of employment and unemployment policy in three cities in Russia in the late 1990s. They found that the policy actors in Russia were painfully unaware of the policy options that they faced, and unschooled in the social policy traditions that are so familiar in the West.

The concepts of path dependency and epistemic policy communities, which have become popular in the international relations field, have parallels in sociology and political science – actor-network theory and policy networks – and provide a useful analytical framework for studying policy variation in CEEurope.

ACTOR NETWORKS

The actor-networks approach had its origins in science and technology studies in the early 1980s (Law and Hassard, 1999). It focused on the way in which people acted on their interests, and the processes by which they brought elements of the material world together in pursuit of a strategy or goal. In other words, the focus was on the process involved, rather than the starting points. In particular, it included the notion of the way in which material, technical or information systems were constituted out of the embedded labour or social relations from previous rounds of scientific or technological development.

Originating in France, this was presented as a sociology of 'translation', in which the key focus was on the way in which social action and material and technical elements were brought together, or translated, into a coherent network, out of which certain achievements were attained. In particular, all elements were seen as capable of 'action', not merely the human actors in the network. Thus, in two well-known studies, scallops, in relation to French fishermen and restaurants (Callon, 1986), and boats, in relation to Portuguese maritime exploration (Law, 1987), were as important as the human actors in the story.

This approach furnishes a distinct set of researchable questions, many of which can be considered in thinking about European social policy development. Some of the possibilities are as follows:

> What are the kind of heterogeneous bits and pieces created or mobilised and juxtaposed to generate organisational effects? How are resistances overcome? How it is (if at all) that the material durability and transportability necessary to the organisational patterning of social relations are achieved? What are the strategies being performed throughout the networks of the social as a part of this? How far do they spread? How widely are they performed? How do they interact? How it is (if at all) that organisational calculation is attempted? How (if at all) are the results of that calculation translated into action? How is it (if at all) that the heterogeneous bits and pieces that make up organisation generate an asymmetrical relationship between periphery and centre? How is it, in other words, that a centre may come to speak for and profit from the efforts of what has been turned into a periphery? (Law, 1992, p. 390)

POLICY NETWORKS

This approach had its origins in studies of British government structures and dynamics, also in the early 1980s. A critical issue that emerged was the question of what the nature of these policy worlds was, who was in them, and particularly the way they operated, what interests were pursued, what mechanisms connected the actors, to what extent they varied in relation to the nature of the policy areas under consideration, for example industrial, health or defence policy.

The state is seen as a complex mixture of intergovernmental relations, where the different parts are in a complex relation of 'power/dependence'. They bargain, coerce or ally with or against each other. In particular, the approach focuses on the resources the different parts either wanted or possessed, and which influenced their strategies in the political game.

Particularly in the work of Dave Marsh and Rod Rhodes (1992), this alternative model of the British state was developed through the idea of policy networks (PN) as an 'organising perspective' for undertaking a series of case studies of the way in which the 'differentiated polity' engaged with different areas of policy. Marsh and Rhodes set up a typology of PNs, ranging from, at one end, tightly knit policy communities with a shared culture in which the key players interact frequently, the boundaries are fairly tight, and those on the inside have distinct advantages. At the other end of this continuum are loosely integrated issue networks, where the actors come together for the pursuit of specific gains, but in which few long term and regular interactions or a shared culture are found. Between these extremes are varieties of more or less integrated PNs, which are strongly shaped by the issues and materials that are the focus of the network's concerns: for example health policy, engineering standards or European agricultural support. Marsh and Rhodes suggest that the substantive concerns of the network have a significant and possibly determinate influence on the type of PN that develops and the policy outputs that it generates.

This approach also furnishes a distinct set of researchable questions, drawn in part from Rod Rhodes (1997, chapter 9), and Dave Marsh and Mike Smith (2001, p. 537). What are the interests, expectations and values of participants? What is the cultural context of organisational and inter-organisational bargaining? What are the relative strengths of group cohesion and the rules for action in the group/network? To what extent are sustainable strategies developed and implemented from within the network? Where are they developed, and how far do they spread? What are the means by which the network judges itself, or defines progress or success? Is there a core and periphery within the network? What are the relations between these? How do members join or leave the network?

In a study of reforms in Russia and Latvia, Andrea Chandler (2001) argues on the basis of interviews with key policy actors that great variations exist in pension reforms right across the region, and that they have been driven more by politics than international economic pressures. She notes that the Chilean system, widely touted by international organisations such as the IMF and parts of the World Bank, have been accepted as a good idea by some countries, particularly their ministries of finance, but not by others. After a detailed examination of Latvia and Russia, she concludes that Latvia adopted the internationally prescribed private multi-tier pensions system as a way of identifying itself as a political entity, and finding a sense of independence from its USSR past, and with an eye on shaping up for future EU membership. Russia, by contrast, she notes, has been much more suspicious of external solutions, and slow to reform its pensions system.

Katharina Müller (2002) also offers a comparison of pensions policy in two countries. In her study she traces through observation and interviews the development of policy networks. She argues that, while variation has occurred in detail, most CEEurope countries have gone down the road of privatising pensions. However, in two exceptional cases, the Czech Republic and Slovenia (to which one might add Russia) have rejected the neo-liberal pensions privatisation agenda adopted by the majority. She approaches this problem of exceptionality through the use of the concept of 'epistemic communities' of policy actors. In particular, she observes that ministry of finance officials form a separate community, often closely linked to international economic advice channelled through international agencies. By contrast, ministry of labour officials are more closely linked to domestic politicians and pressure groups. The finance epistemic community typically gets involved with pensions reform when debts are difficult to manage, and where external loans and help come, but with neo-liberal strings attached, usually in the form of privatising the pensions system. In these two exceptional cases, Czech and Slovene debt was at a relatively low level and, therefore, the finance ministries were not so interested in seeking external help, nor the possible impact of pensions on debts. In addition, in Slovenia it was particularly clear that the key policy actors came from the ministry of labour, the trade unions and the pensioners' lobby, who actively rejected proposals from the World Bank. Both these countries have opted for mainstream continental pensions systems.

Colin Lawson and Juraj Nemec (1998) present an analysis of health policy drawing on a similar approach to Müller, although from a rational choice rather than policy community orientation. They compare health reforms in Slovakia, the Czech Republic, Poland and Hungary. They suggest that two types of healthcare development can be distinguished. Poland and the Czech Republic have opted for a more decentralised system, with a range of insurance providers, whereas Hungary and Slovakia have retained a monopolistic state insurance system and more centralised services. Salaries and fee-for-service remuneration methods also vary across these countries, and the conclusion is that none of them contains a clear vision of the direction in which health policy should travel, and that this, in all probability, reflects the fact that the policy communities in each country on this issue are small, and have not been stimulated into debate by a strong externally driven argument, as has been the case for pensions.

Iain McMenamin and Virpi Timonen (2002) update the situation in Poland, which attempted a wide-ranging health reform from 2000. However, they conclude that, since health policy continues to be driven strongly by internal, and unstable, political currents, the implementation of the new system has been weak, with some privatisation, continued high levels of informal payments, too many specialists, and half-hearted attempts to get competition through a purchaser-provider split and to de-politicise independently set up health funds. The overriding impression is that, despite, or perhaps because of, a locally focused politics of health policy, CEEurope remains firmly within mainstream EU health policy, with most countries setting up state controlled health insurance mechanisms, with little internal competition.

Approaches and examples of studies of social groups

An alternative way of posing the question of whether, how and why CEEuropean countries have adopted European welfare policies is to think about the extent to which changes are consistent across social groups. While much comparative research uses existing data on (mostly) male paid workers' interests, a more revealing view can arguably be gained by looking at other groups, for example the interests of women and children as they have been affected by changing policies.

Gillian Pascall and Nick Manning (2000) analyse the changes in social welfare support for women in five different roles, drawing on policy actor questionnaires gathered by UNICEF regional staff in preparation for the report on *Women in Transition* (UNICEF, 1999). The argument here is that the test of welfare policy change can be conceptualised as the impact on the ability of women to undertake their social functions. This study focuses more on the common experiences of CEEuropean countries than variations between them. On the whole the questionnaires show a weakening of support for the position of women in these roles. As paid workers, while the pay gap has not changed much, women are more likely to experience unemployment. As partners/wives, they retain strong, legally enshrined rights in marriage, but weakened reproductive rights. As mothers, they receive reduced family allowance, nursery provision, sick child leave and parental benefits. As carers, they have seen a general decline in health and pre-school support. And as active citizens, they are exercising a lower profile in political roles, although some growth in social movement activity. They conclude that current gendered welfare regimes within the EU may be conceptualised in terms of male breadwinner/female carer (Germany, Ireland) and dual-earner regimes (Sweden, Finland, Denmark), with the southern European countries as distinctive in gender terms, with weak state provision and stronger expectations of families. The gender relations of CEE are based on two earners, but they differ from the Scandinavian models in their more extreme expectations of women as unpaid workers. The dominance of the breadwinner model – already reduced by the accession of Sweden and Finland – will be further reduced as CEE countries with a longer history of high women's employment participation join.

Turning to children, Pascall and Manning (2001) look at the possible effects on children of EU accession by CEEuropean countries, drawing once again on UNICEF data. They note that more Austrian and German children lived below their national relative poverty thresholds in the early 1990s than Czech or Slovak children, and more UK children with two parents than Hungarian or Polish children. Children of lone parents in Poland and Hungary in the same period were not much more subject to poverty than children of two parent families. However, Michael Förster and IstvánTóth (2001) provide a detailed review of the impact of changing family income support policies in the CEEuropean countries enacted in 1995, particularly the general move to income testing and targeting, and demonstrate from survey data that more children have been precipitated into poverty by these changes. Sarah Jarvis and Gerry Redmond (1997) suggest that, while levels of child poverty vary, policy changes for child poverty reduction are similar, with a general move from a more continental to an Anglo-Saxon type.

The impact of methods on findings

In this paper, it has been suggested that an answer to the question of social policy change in CEEurope and, in particular, its convergence or divergence in relation to western Europe is heavily dependent on the methodology employed, and the data collected and analysed. In the case of Russia, as we have observed, probably more variation exists within the country than between Russia and other countries. The size of a country may, therefore, be critical to this kind of analysis. In addition, the length of time over which historical patterns can cast a shadow may vary by country, by culture, by policy area, by social group, and so on. Path dependencies will be multiple in terms of size, direction, scope and length.

A fundamental question such as disentangling the effects of Europeanisation or globalisation is thus difficult to answer. Market imperatives, and the way they are filtered through institutional structures and networks, combined with the advice of international agencies, such as the IMF and World Bank, have resulted in a variety of studies and a complex debate, which is to a certain extent shaped by different concepts, methods and foci. In a recent special edition of *Global Social Policy*, focused on Europeanisation, globalisation and social policy, Michelle Beyeler (2003) separates economic from political pressures and logics, and also the rational actor viewpoint from that of institutional cultures and traditions. The impact of path dependency and epistemic policy communities has been considered in this paper. It is not always easy to know what is rational in any particular circumstance. Alber and Standing (2000) observe that it may be as rational for a country to lower labour and social costs in a 'race to the bottom' in the face of economic competition, as it is for them to raise social and labour standards in a 'race to the top' in the face of political competition. Even the 'bottom' and the 'top' will mean very different things for different social groups, or different strata in a society depending on its level of inequality.

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4. Methodological and Conceptual Issues in Researching the Open Method of Co-ordination

Milena Büchs

This paper is concerned with methodological and conceptual issues that arise in research into the impact of the Open Method of Co-ordination on national policy making, as exemplified by the European Employment Strategy. Germany and the UK have been selected as case study countries to compare and contrast the role of the EES in the development of labour market policies, because of their different institutional backgrounds and approaches to employment policy. The paper examines responses to the EES and the opportunities the OMC affords for policy learning and transfer among member states. The conceptual approach adopted in the paper is to confront two models of analysis. The first attempts to theorise the functioning of the OMC with reference to concepts such as policy learning, diffusion, shaming, networks and deliberation, as proposed by David and Louise Trubek. The second, the institutionalist approach, concentrates on path dependency and policy legacies to explain obstacles to convergence and to analyse country-specific ways of implementing international policies. The paper specifies the levels at which convergence might be possible, while also identifying the mechanisms whereby the OMC may promote or constrain convergence.

The aim of the research on which this paper is based was to examine the influence of the European Employment Strategy (EES) on labour market policies in Germany and the United Kingdom. The research is examining whether the Open Method of Co-ordination (OMC) is effective as a tool for achieving the aims of the EES, while also looking at how the example of the EES has contributed to the development of the OMC and its acceptance in other policy areas. The paper begins by reviewing the application of the OMC in the EES and sets out the rationale for the Anglo-German comparison of the impact of the EES on national policy making, in general, and on labour market policies, in particular. The second section presents the conceptual and theoretical underpinnings of the methodology adopted in the analysis, before going on to identify both the limits of the case study approach and the insights that it may provide for researchers and policy makers.

The OMC as applied to the EES

The EES was launched at the Luxembourg Council in 1997 and has its legal base in the Treaty of Amsterdam. The EES applies the OMC, a term denoting a method for setting common standards and objectives, and for monitoring and comparing the fulfilment of these objectives in various policy fields at EU level. At the Lisbon Council in 2000, the decision was taken to use methods similar to the EES in policies designed to promote social inclusion, and the term ‘Open Method of Co-ordination’ was officially introduced[1]. In 2001, the OMC was applied in the fields of pension and health policy. The general aim of the OMC is to agree common objectives at EU level that are not legally binding, and to support the convergence of policy objectives and policy outcomes, while respecting national diversity in policy approaches and institutional settings.

The concrete procedures and instruments of the OMC differ across the various policy fields where it has been applied. In the case of the EES, employment guidelines and quantitative indicators are agreed at EU level, and member states are required to draw up National Action Plans (NAPs) describing the measures taken to meet EU objectives. The Council and Commission then produce a Joint Employment Report, which compares and benchmarks the labour market performance and fulfilment of the objectives by member states. The Council and Commission also have the power to direct recommendations at individual member states, requiring them to address any deficiencies identified in their performance.

Between 1998 and 2002, this procedure took place every year. From 2003, the employment guidelines have been issued together with broad economic guidelines and will be held stable for three years. At the same time, the number of guidelines is being reduced by half (Communication of the European Commission on the future of the EES, COM(2003) 6 final, 14.01.2003). Since 1999, a peer review programme takes place, at which the host country presents individual policy initiatives to a small number of other member states. Approaches to policy problems are compared, and issues of transferability are discussed.

In addition to the obligation laid down in the Treaty of Amsterdam to establish NAPs for employment, the EES consists of informal policy instruments, such as benchmarking and shaming, that are intended to have an impact on labour market policies and outcomes. The OMC was developed in response to a dilemma in European social policy. Following the completion of the Single Market, and the establishment of Economic and Monetary Union and the Growth and Stability Pact, it was acknowledged by governments in member states that a common strategy at EU level was required to deal with social issues. It was also clear that agreement on binding instruments at EU level was not in sight. The OMC is intended to fill this policy gap by increasing employment rates, making labour markets more inclusive and creating more equitable social conditions across member states.

Methodological issues in researching the OMC

The aim of the research on which this paper is based is to contribute to a better understanding of the impact the OMC has on social policy making in member states and its consequences for future European social policy. In considering the possible impacts of the OMC on social policy making, the aspects that might be affected, include policy-making processes, broad policy concepts, concrete programmes and initiatives, as well as procedures for implementing and evaluating policies, and policy outcomes.

A number of fundamental and general methodological problems arise in attempting to track and produce proof of the influence of the OMC on domestic policies and policy outcomes. Firstly, most OMC and EES objectives are very broadly couched and are not intended to guide the development of actual policy measures, which means they cannot be used to implement concrete measures. OMC/EES objectives may, therefore, have a greater influence on terminology and broad conceptual arguments in support of policy change than on specific policy measures.

Secondly, it is debatable whether it is possible to observe any influence that the OMC may have on policy making or policy measures. Political actors may not necessarily choose to refer to such influences publicly, for instance in draft laws, parliamentary discussion papers, statutory documents, green and white papers, and other governmental and party publications. If a proposed policy reform is widely accepted domestically, policy actors may have little incentive to make reference to EES guidelines or to policies in other member states in their policy statements. They are more likely to want to present the initiative as being their own. If, however, they are having difficulty in gaining support for a particular reform, they may find it advantageous to refer to the requirement to adapt policies in compliance with EES guidelines, or they may want to cite examples of successful policy initiatives in other EU member states to justify their own policy stance, even though the reform was not originally motivated by the OMC. The presence or otherwise of references to the EES does not, therefore, allow conclusions to be drawn about the influence or effectiveness of the OMC.

Thirdly, even if the OMC plays a part in the formulation of policy measures, it will not be the only factor behind policy reform, because changes in policy are always related to a variety of internal and external influences, including domestic politics and actor constellations, the economic situation and international rules, such as EU directives.

For all these reasons, it is difficult to isolate the impact of soft instruments, such as the OMC, on labour market policies and outcomes from other factors and, even more so, to prove any kind of influence on policy change. Furthermore, if outcome data do point to a positive statistical correlation between the introduction of the OMC and particular labour market indicators, showing convergence towards EU targets, they do not provide information about how the OMC is operating at domestic level.

The aim or research into the impact of the OMS on national policy making, therefore, needs to be the opening up of this ‘black box’, by seeking to describe and analyse the process of policy development in selected policy fields. The approach adopted in the present study is to try and learn more about the role the OMC plays in the policy process by examining its role in labour market policy in two EU member states. The task is to identify the policy actors involved in drawing up the NAPs, the contribution they make to the process, whether they establish new relationships as a result of the OMC and, consequently, change the policy-making process. The assumption is that the OMC will be more influential in policy planning and making if policy actors are aware of its objectives and are actively taking account of it in course of their work.

Case studies are being used to provide a framework for understanding how the OMC works. They are based on a comparative analysis of the institutional, economic and political backgrounds of selected countries, complemented by in-depth interviews with labour market policy experts, actors involved in the process of drawing up the NAPs, participants in EU-peer reviews and EU officials. The comparative approach enables the researcher to try and make sense of similarities and differences in preconditions and outcomes and draw preliminary conclusions about the features that need to be explored in more depth. A study limited to two countries does not, however, allow the testing of hypotheses about the wider European context. To do so, it would be necessary to include all member states and to construct indicators for measuring the influence of the OMC, which would be difficult given that the influence is likely to vary from country to country. In a two-country study, it is not appropriate to apply a ‘most different’ or ‘most similar systems design’, because such designs are usually used to extract the most important similarity as a independent variable accounting for the same outcome in otherwise different cases, or for the most important difference, which accounts for differences in outcomes for otherwise similar cases.

Similarities and differences do not just exist or emerge. Rather, they have to be defined on the basis of conceptual work prior to the selection of the cases. Germany and the United Kingdom were selected for an in-depth comparison, because, on the one hand, they differ considerably in their economic and labour market situations, institutional backgrounds and current approaches to labour market policies. On the other, both saw a shift in government, to ‘New Centre’ and ‘New Labour in 1998 and 1997 respectively, at the time when the EES was being introduced. These differences and similarities provide an interesting constellation of factors for comparing the process when the NAPs were being drawn up and for estimating the impact of the EES on policy concepts and policies. The policy exchanges between the two countries and with EU institutions in the areas of labour market and social policies are also of interest from a comparative perspective.

To counterbalance the limitations of studying only two member states, aggregated labour market and economic performance statistics are being examined for all member states, and also at regional level, providing an overview of general developments since the EES was launched. It is not regarded as a means of demonstrating the success or failure of the EES, because any convergence or divergence observed cannot necessarily be attributed to the EES. Where outcomes converge, factors other than the existence of the EES may produce the same result. Where outcomes diverge, it does not necessarily mean that the EES has not had an influence on policy making in member states. Rather, it may indicate that policies have either not been implemented effectively, or that they were not appropriate for achieving their objectives.

Conceptualising and theorising the EES

A central assumption in the research is that the EES does not, most probably, have a direct influence on policy concepts, policy programmes, administration, institutions and political culture. Since the EES instruments are informal, and no hard sanctions are threatened in cases of failure to meet the objectives set, it is unlikely that policy reforms are undertaken primarily because of the existence of the EES. It does, however, seem probable that the EES can play a catalysing role in the policy process, because it provides arguments for actors who are engaged in reforms that are in line with the EES. Furthermore, the EES may be expected to have an influence on policies at the cognitive level, for example on the language used by political actors, and on policy concepts and philosophies rather than on concrete policy programmes. Whether these ideas are also transferred into policy programmes is a secondary issue, since it is more difficult to achieve the political consensus and resources they require than it is to enact ‘symbolic politics’. For policy ideas to be transferred into programmes, it is necessary to know how they have been interpreted, because the use of similar terms and policy labels may conceal substantial differences in the policies actually implemented.

DEFINING ‘INFLUENCE’

The term ‘influence’ is central to the research. It can take on a number of different meanings. In the generic sense, influence means that A has the power to change B, as applied, for example, to processes in organisations, preferences or the behaviour of actors. The changes that take place would not come about without this influence (causal or direct) or would not have happened in the same way (partial or catalysing influence). With regard to the EES, three types of influence can be distinguished: direct, concealed and catalysing.

Direct influence is used in the research to refer to cases where the existence of the EES guidelines, indicators and recommendations is the (main) reason for policy makers changing their minds or introducing new policy programmes. This role of the EES would then appear in the policy process, because policy makers refer to the EES when giving reasons for reforms. As mentioned above, policy makers may refer to the EES in the policy process, but this does not necessarily mean that the EES was the only or the main reason for policy reforms. Rather, it may have provided welcome and useful arguments for policy makers to legitimise reforms that might not be very popular.

Concealed influence refers to cases where the EES had an influence on the perceptions and assessments of policy makers with regard to current policies, policy concepts, the use of language and other changes in the policy process. It can include attitudes to evaluation from other countries or international bodies such as the EU, and the proliferation and distribution of information, as well as in the search for information. It is conceivable that the EES, and the OMC in general, have had a concealed or obscured influence on these cognitive and procedural aspects and that policy actors do not refer to the EES and OMC when discussing proposals for policy reforms. Actors may simply not be aware of an external influence, or it may not seem important or useful for them to refer to it when changes are widely accepted. Such influences may also be difficult to locate and identify. For researchers attempting to disentangle a variety of influential streams and interdependencies, concealed influences create an insoluble problem.

The catalysing influence of the EES refers to cases in which the EES functioned as an additional factor to support developments that were already taking place for other reasons. A catalysing effect of the EES may be either apparent in the policy process or concealed.

CONCEPTUALISING THE FUNCTIONING OF THE OMC

In the growing literature on the OMC, various concepts have been put forward for analysing its possible influence of the policies of member states. David and Louise Trubek (2003) have proposed a list of concepts that are relevant to the functioning of the OMC, including diffusion, shaming, networks, deliberation, and learning. They argue that these concepts need not be regarded as mutually exclusive, since the OMC itself consists of different instruments that can function in a variety of ways, although they differ in several respects. Some concepts focus on bottom-up processes and voluntarism, such as learning and deliberation, while others stress top-down mechanisms and (soft) coercion, such as diffusion processes (Trubek and Trubek, 2003, p. 18). Concepts may also differ in their interpretation of EU integration and the role of EU institutions, national and subnational levels in the process.

Diffusion is a concept that seeks to explain conditions and patterns for the adoption of particular policies. It has been conceptualised as a quasi-natural process. The spread of policies is explained by evolutionary patterns of economic and technical development and/or by processes resulting from dependencies between entities within hierarchical systems (Katz, 1964; Walker, 1969; Gray, 1973; Berry and Berry 1990). If the OMC is theorised in terms of the diffusion approach, the adoption of standards and policies can be explained by functional and spill-over processes due to the interdependency of member states. Processes may also come into play that enable the spreading of ideas and concepts as a result of the powerful position occupied by the European Commission in the EU architecture and informal hierarchies among the member states, similar to the spread of fashions and opinions in groups through social leadership (Katz, 1964).

The concept of shaming has its origins in the socio-legal literature. Shaming is regarded as a soft social sanction. The threat of being shamed is an incentive to comply with rules and standards to avoid being shamed publicly. In the case of the EES, an element of shaming is found in the Council's and Commission's procedure for comparing and ranking labour market performance publicly (Trubek and Mosher, 2003, p. 39). If the EES functions through shaming, the influence of the EES has to be explained by the incentive for member states to adopt policies that are in line with the guidelines and the recommendations or are thought to increase labour market performance to avoid being shamed by EU institutions.

Networking, as applied to the analysis of the EU (and other international organisations) focuses on the influence of (international) policy networks on (domestic) policy making. Although a broad variety of network approaches exists (Börzel, 1997), their advocates stress that regular interaction between actors and exchange of information and ideas lead to a common pool of information and knowledge and, in the end, to a consensus about policy objectives, interpretations of political problems and the instruments that should be used to carry out these tasks (Kohler-Koch, 2001, p. 5). Members of a network become bound into this common frame and, thus, ideas and policy concepts adopted in the network are transferred into the domestic policy arena, and are more likely to be implemented than if the network did not exist. Network approaches may, however, differ regarding the understanding of power relationships within them. In some cases, networks may be conceptualised as non-hierarchical systems (Börzel, 1997). In others, they may be seen as including asymmetrical power relationships, where the more powerful members of the network, for example the EU commission or particular member states, use instruments such as persuasion to make other members agree to standards or policies (Kohler-Koch, 2001).

The OMC can be analysed according to one or other of these different network approaches. In the first case, knowledge and ideas would diffuse in a top-down direction, because of the strong role played by the European Commission in EU-level networks (Jacobbson, 2002). The second approach would support the view that policy networks, including a broad range of stakeholders at various policy levels, especially at the local and regional level, foster bottom-up experimentation and policy learning (Trubek and Trubek, 2003, p. 20).

The concept of deliberation to which Trubek and Trubek refer is based on the work of the 'directly deliberative democracy school' (Cohen and Sabel, 2003). Accordingly, deliberation takes place in non-hierarchical and open groups consisting of a variety of actors, and it is oriented towards the solution of practical problems. Such groups can appear at all political levels. At the local and regional level, experimental policy solutions can be tested. To explain the functioning of the OMC, the authors describe the example of the EU structural funds, where information about local projects is passed on to higher political levels, other member states and the EU for monitoring purposes. These processes of bottom-up experimentation and exchange of information are believed to enhance opportunities for policy exchange and learning (Cohen and Sabel, 2003, pp. 364–6).

Policy learning is a related concept that does not necessarily deal with learning from abroad, but more generally with different kinds of domestic policy changes (Hall, 1993). Thus, using the concept of policy learning for the analysis of the functioning of the OMC means exploring the potential of the OMC for fostering learning from abroad. Many authors interested in knowing which features of the OMC might promote policy learning stress its benchmarking elements. They appear to be most important because the constant comparison through mutual surveillance and in relation to EU wide targets is regarded as being able to disturb former certainties of domestic actors, enhance competition among member states and facilitate the use of information about best practice (Trubek and Mosher, 2003; De la Porte *et al*., 2001).

Lesson drawing refers to the process of collecting information about policy programmes from foreign countries by policy makers and drawing conclusions from the exercise (Robertson, 1991; Rose, 1991). Lessons can be positive in the sense that they can lead to positive decisions to undertake a reform in the home country. A lesson can, however, also be negative, indicating what should not be done and learning from mistakes abroad (Rose, 1991, p. 4; Dolowitz and Marsh, 1996, p. 350). Positive lessons can be brought about to various degrees by copying, emulation, hybridisation, synthesis or simply inspiration from political programmes from abroad (Rose, 1991, p. 22). Lesson drawing is regarded as a conscious and voluntary process and, therefore, as largely dependent on the political situation and conditions in the home country. Conceptualising the functioning of the OMC in terms of lesson drawing would mean that the OMC is seen as providing better opportunities for lesson drawing by enabling broader access to information and knowledge about policies from other countries, and the continuous comparison and evaluation of policy programmes.

The concept of policy transfer concentrates on processes and conditions of transfer of policy goals, structures and content, policy instruments, administrative techniques, institutions, ideology, ideas, attitudes and concepts (Bennet, 1991; Wolman, 1992; Dolowitz and Marsh, 1996, 2000; Wolman and Page, 2002). The OMC can be seen as creating a framework that is conducive to policy transfer because it provides a wide range of opportunities to exchange experience with other member states as well as pressures to adopt best practice. Yet, if the main characteristic of the OMC is seen as fostering policy transfer, the conditions for transfer and the type of transfer need to be specified. Policy transfer can be regarded as either voluntary or coercive (Dolowitz and Marsh, 1996, p. 344). Whether policy transfer through the OMC is voluntary or coercive will also depend on whether the OMC is seen as exerting informal coercion on member states, or whether they retain the power to decide how they respond to the OMC.

Many authors writing on policy learning, policy transfer or lesson drawing point out that the starting point for transfer is primarily related to the level of dissatisfaction with the current political situation, which creates pressure for change. Richard Rose (1991, pp. 8–9) argues that an international ranking of country performances might bring about dissatisfaction and prompt the search for more successful policies abroad. This leads to the question whether the OMC processes of public comparison and policy evaluation are able to create dissatisfaction with current policies to such an extent that interest and willingness to engage in lesson drawing and policy transfer are increased.

In addition to these approaches, which concentrate on the explanation of policy change and, particularly, the role of cross-national policy transfer in policy change, it is useful to consider the application of institution theory. In the institutionalist literature, issues such as institutional change and change of policies within particular institutional contexts have been addressed (North, 1990; Thelen and Steinmo, 1992; Hall and Taylor, 1996). Thus, institution theory should not be seen as contradicting theories on policy change and policy learning. While the latter body of theory aims to systematise the processes and circumstances in which policy transfer and policy learning occur, institution theory focuses on the role of country-specific institutional arrangements in policy development and institutional change. The concept of path dependency suggests that policy change is undertaken by political actors who operate in a context of institutions and policy legacies, which provide constraints and incentives for change. Institution theory also conceptualises radical institutional change, which means that the concept of third-order learning and an institutionalist approach are not, in general, contradictory, although they concentrate on different aspects.

Applying the institutionalist approach to theorising the functioning of the OMC means focusing on the conditions of cross-national policy learning and policy transfer and the effectiveness of soft EU rules and policy objectives. Such an approach implies that it is a voluntary act to comply with soft law, to achieve benchmarks and policy objectives, and to participate in peer review exercises with other member states. This means that decisions about policy reform and the adjustment of policies in member states to EU objectives, or the adoption of policy initiatives from other member states are taken at national level and, thus, depend on political processes within countries. The account taken by policy actors of EU objectives and the best practices on other member states is not ruled out, but the important point is that this may not be the case to the same extent in all the policy areas covered by the EES. Policy exchange and policy transfer are more likely between member states with similar backgrounds and close relationships. The way in which EU objectives are taken into account and policy initiatives from other member states are adopted or mimicked is not random. This means that it is important to integrate the institutional background and policy legacies into the analysis of the influence of the OMC on the policies of member states, and also to pay attention to institutional backgrounds, current political situations and actor constellations to explain country-specific responses to the OMC.

As argued by Trubek and Trubek, some of these concepts can be considered as complementing one another in explaining the functioning of the OMC. Areas may exist where interdependence between member states is regarded as high and where non-fulfilment of EU objectives and the consequences of shaming are stronger incentives to develop strategies than in other fields. Explanations of the influence of the OMC can be modelled according to the shaming concept. In other areas covered by the OMC where policy making is seen as a domestic prerogative, and in which the influence of the EU or other member states is rejected, better explanations may be found by applying models of voluntary lesson drawing, policy transfer or policy learning.

Hypotheses on the OMC at work

Overall, the concepts of policy networks and diffusion do not appear to be very useful in theorising the functioning of the OMC because they suggest that the OMC will have similar effects in all member states and that convergence of policy outcomes will ultimately ensue. The hypothesis being developed in the research is rather that the OMC will not bring about the convergence of policy outcomes and policy concepts beyond the symbolic level, and that it is more useful to combine institution theory with the concepts of lesson drawing, policy transfer and policy learning to identify the role of the OMC in policy change and differences in responses to the OMC among member states. This is in line with the assumption that labour market policies are a field where intergovernmentalism continues to prevail. It also corresponds to a conception of EES and OMC soft law as relatively weak rules that do not have the strength of other types of informal rules derived from regular practices and common consensus among actors. The critical question of whether the decisions of national governments and parliaments would not have been reached without the existence of the OMC or EES might not produce many examples according to this argument. It is more likely that change is driven by other forces, which are embedded in domestic political, economic, and institutional backgrounds.

Developments in member states may, however, be accelerated and shaped by EES processes. Some aspects of the political process do, for example, change due to the EES process of regular monitoring and evaluation of labour market policy outcomes. The exposure of domestic processes to the scrutiny of the EU and other member states may create a framework conducive to policy development. An important task of the research is to identify the cases where this applies and where it does not.

The guidelines and recommendations of the EES provide a common language for labour market policies. A number of OMC analysts have noted that a common use of terms and policy ideas can be observed across member states. This process may have the negative outcome of limiting the autonomy of member states in the design and presentation of policies. More positively, the OMC may have already provided a framework for an emerging EU-wide consensus on social policy concepts and principles – how these concepts are assessed politically is another question – even though the terms used may not be interpreted in the same way and do not eliminate national specificity. A direct influence of the EES and OMC on labour market and social policies is regarded as unlikely, and the transfer of particular policy initiatives depends heavily on institutional and political similarities between states. Nevertheless, the EES and OMC processes are delivering new resources for policy evaluation, monitoring and access to information about experience with policy initiatives in other member states. They may, therefore, be changing the framework for labour market and social policy making in a subtle way.

The Anglo-German comparative case studies may be expected to contribute to a better understanding of the influence of the OMC on national policy development by making these processes transparent and by situating the perspectives of actors in relation to economic, political and social circumstances, institutional background and policy legacies. They may also help to explain why particular policy approaches have not been adopted, and why others have been promoted, and show how EU incentives and internal pressures are together leading to the developments observed. This kind of knowledge limits the danger of drawing inappropriate conclusions and making misleading policy recommendations. It can provide a basis for a thorough analysis of failure and can point to the institutional arrangements that should be given priority in any policy reform.

1. In the area of EU economic policy co-ordination, mechanisms similar to the OMC were introduced in 1993. Plans to establish an EES had been in existence since the Essen Council in 1994. After the introduction of the EES at the Luxembourg Council, co-ordination mechanisms in the fields of internal market policies (Cardiff process, 1998) and for macro-

economic policies (Cologne process, 1999) were established. The current praxis of the OMC is based on these early mechanisms. Since the official launch of the OMC in 2000, the method has also been introduced in other policy fields such as education, research, immigration, sustainable development, entrepreneurship and enlargement. In these areas, however, no National Action Plan procedures or regular mechanisms exist for setting objectives comparable to the Broad Economic Guidelines or the EES.

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5. Convergence in Social Welfare Systems: from evidence to explanations

Denis Bouget

Following the Second World War, convergence of social welfare systems was seen as a way of achieving modernisation and technical progress. The development of social welfare systems in Europe appears to have been the outcome of autonomous national processes. The stimulus for a common system of social protection was linked to European political and economic construction, with convergence as a catching-up process in the comparative evaluation of national social policies. The paper adopts two approaches in exploring the convergence debate. Firstly, it attempts to quantify convergence among EU and OECD countries at the macro-economic level, using social indicators to assess convergence or divergence of social expenditure. The evidence of convergence is shown to be ambiguous due to a number of methodological problems. Secondly, two main explanations of convergence are examined: economic forces and legal frameworks. The paper shows that, even if the maturation or reform of national social policies explains increases in social expenditure, macro-economic pressures, or constraints (globalisation, Single Market), on public expenditure can fuel certain type of convergence. A goal of social Europe is to use legal frameworks to build common social rights. Convergence of national social welfare systems can be interpreted as a component in a general process of convergence in law between countries. However, such explanations tend to neglect elements of divergence, thereby concealing the complexity of the process and underestimating the full extent of divergence.

A decade after the publication of the recommendation on the convergence of social protection objectives and policies, Gabriel Amitsis *et al*. (2003) announced the renaissance of convergence as the goal for the modernisation of social welfare systems in Europe. In their report, multidimensional convergence was conceived as an historical outcome (convergence of the southern European model towards the continental one), an objective and target for social policy (convergence through agreed targets) or as a norm for action using the Open Method of Co-ordination (OMC), combined with benchmarking. The success of the OMC as a new instrument of governance in the EU has revamped the notion of convergence. Simultaneously, the transfer of benchmarking to social policy has enhanced the debate on social indicators, which become not only explanatory instruments in the evolution of societies but also, at least in some cases, instruments for the evaluation of the 'efficiency' of social policy in different countries. For instance, the proportion of GDP allocated to social expenditure is an indicator that provides information about the empirical and quantitative convergence of social benefits. Benchmarking has reinforced the normative interpretation of convergence and turned it into a political instrument for evaluating inputs and outcomes of social policies, and national efforts. Because the construction of Europe is based on economic, social and political integration, a normative social objective is to monitor the many differences in national and regional well-being. Convergence in social protection has been a permanent concern of European construction from the outset (Chassard, 2001). It is, therefore, fundamental to know what exactly the convergence of social welfare systems means. Is it a reality that is empirically demonstrated? Does it mean the emergence of a new way of life in Europe? Is it something recurring in the dreams of European citizens, a new European ideology, perhaps, or a more global phenomenon?

The paper begins by briefly describing quantitative empirical findings that show convergence in social expenditure. They analysed in terms of a multidimensional system of factors or causes, including economic domains, socio-demographic trends, institutional and cultural factors. Explanations of convergence tend to underestimates the factors that restrain the trend towards convergence, and which create divergence among the richest nations. The paper comments on the shortcomings, ambiguities and contradictions in the most common justifications for convergence.

Empirical evidence and factors in convergence

Empirical evidence for convergence in social welfare systems encompasses several types of analysis: convergence in social indicators between countries, convergence in economic variables, convergence in rules and social rights and convergence in social institutions. The paper is confined to a quantitative analysis of economic variables, involving comparisons of social expenditure between countries.

Two main social indicators are used in quantitative comparative analysis of the trend towards convergence of social welfare systems (Alonso *et al.*, 1998; Herce *et al.*, 1998; Cornelisse and Goudswaard, 2001; Lopez *et al*., 2001): per capita social expenditure and the proportion of GDP devoted to social expenditure, based here on OECD social indicators of 'gross' public social expenditure between 1980 and 1998 (Adema, 1999). The 21 countries for which data are available include 14 of the 15 EU member states (except Austria) and several other OECD countries (Australia, Canada, Japan, New Zealand, Switzerland, Turkey, United States). Convergence or divergence is measured using an indicator of disparity between countries: convergence is indicated by a reduction in disparity and divergence by an increase in the index.

Convergence in per capita social expenditure is assessed using the coefficient of variation (OECD, 2003). The trend in the coefficient of variation of per capita social expenditure during the period 1980–98 shows that cross-sectional disparity in per capita social expenditure is always lower among EU countries than among the OECD sample, because most non-EU countries have an underdeveloped public sector and public social protection system, as shown in Figure 5.1. Between 1980 and 1998, despite all the reforms of national social welfare systems during the 1980s and 1990s, the trend towards convergence in per capita social expenditure is found to be steady and shows no significant fluctuations. Despite the effects of economic crises, per capita public social expenditure was converging in the EU, but no clear trend could be observed in non-EU countries. Finally, OECD countries converged mainly because of the convergence in EU member states.

Convergence in social expenditure as a proportion of GDP is assessed by the simple standard deviation (Micklewright and Stewart, 1999). The result is not the same as for the previous indicator, as illustrated by Figure 5.2. Three periods must be distinguished: convergence from 1980 to 1988, a period of divergence from 1989 to 1993 and a new period of rapid convergence since 1993. Clear convergence occurred only in 10 years. The short period of divergence in 1990–93 was coupled with lags and divergent reactions in countries facing international economic recession. The use of

Figure 5.1 **Coefficient of variation of per capita social expenditure in OECD and EU countries, 1980–98 (constant prices 1995, PPPs 1995)**

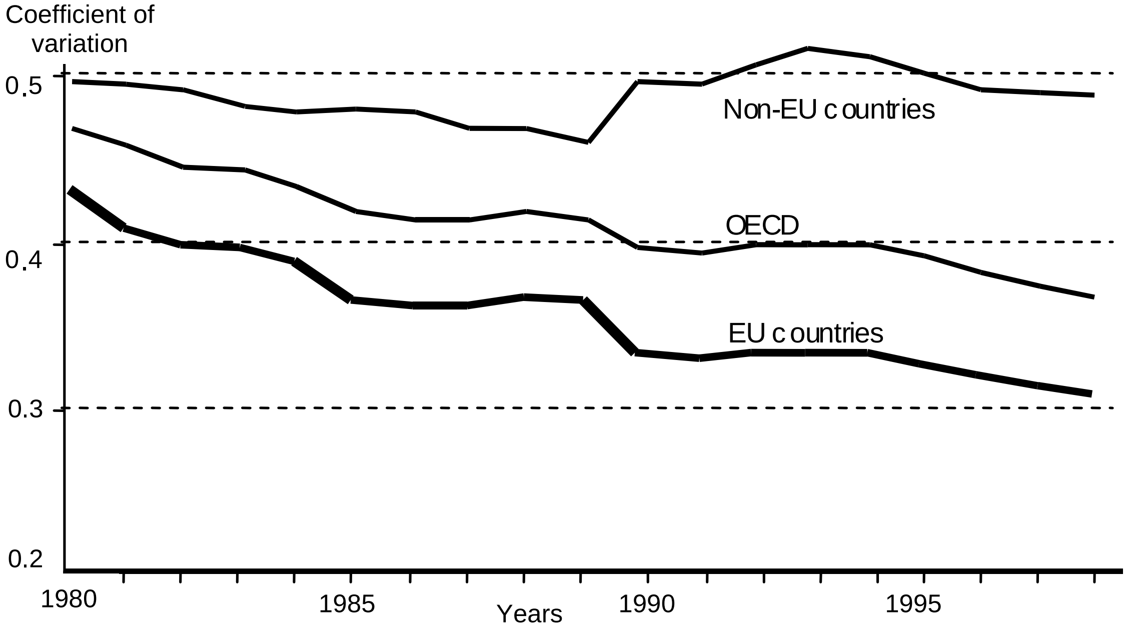
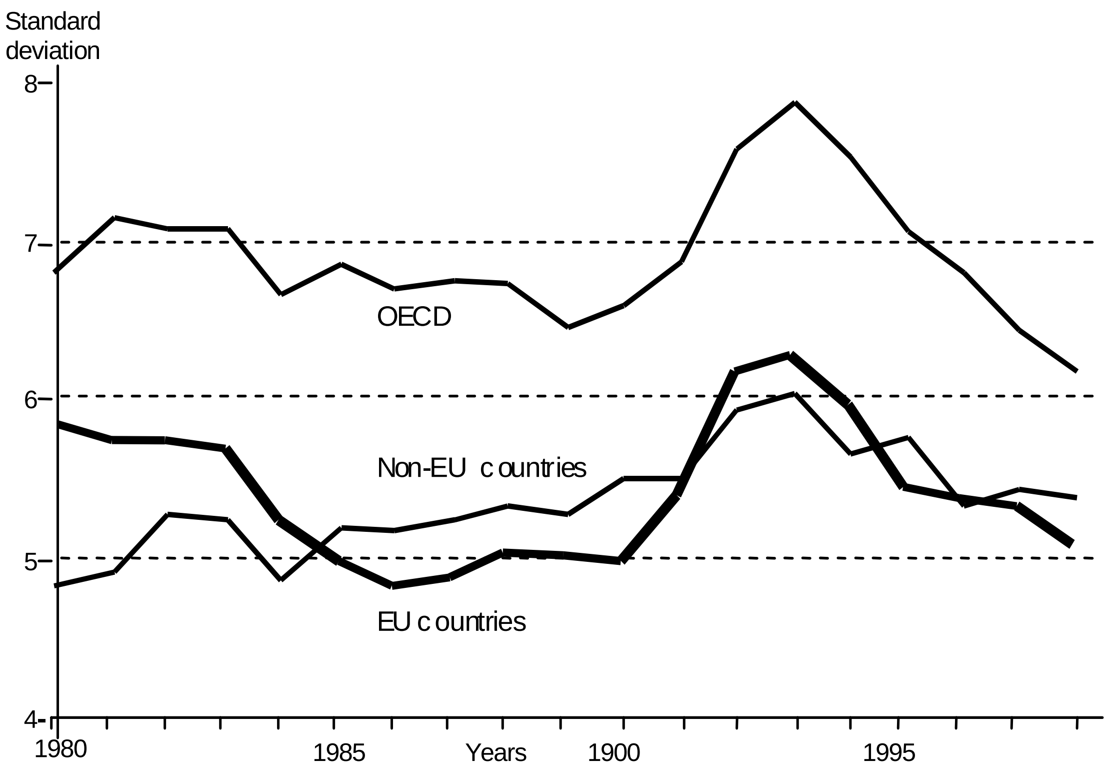


Figure 5.2 **Standard deviation of percentage of social expenditure in GDP in OECD and EU countries between 1980 and 1998**



Source: OECD, *Social Expenditure*, Database-edition, 2003.

these two indicators thus leads to different conclusions, which can be partly explained by methodological problems, but we also need to analyse their links with economic developments (Bouget, 2003a).

Factors contributing to convergence

In the social sciences, convergence is defined as 'the tendency of societies to grow more alike, to develop similarities in structures, processes, and performance' (Kerr *et al*., 1973, p. 3). Convergence, therefore, implies that, as rich countries get richer, they develop similar economic, political and social structures and, to some extent, common values and beliefs (Wilensky, 2002, p. 3). Convergence also refers to a process and outcomes. Generally speaking, the outcome is conceived as a stable situation, or one that is static or dynamic but lacking uncertainty. It can be a utopia ('golden age' or a European model), or a single national social system, which becomes a model for other countries. In this case, convergence is analysed as a transitional period between the present situation and the future model.

Many economic, socio-demographic, political, legal, institutional and ideological factors may help to explain the process of convergence in social welfare. Most analyses are based on a Darwinian doctrine of the evolution of society, whereby societies that do not adopt the rules of the market-democracy-universalism of values are not meant to survive when competing with those that do. This is an example of Spencer's theory of social Darwinism, which stressed the importance of the forces of competition and selection, leading to the survival of the fittest, the 'one best way' in institutions, policies and performance (Unger and van Waarden, 1995). Whatever the strength of this type of analysis, it can be shown that not all the factors in convergence are linked to such a doctrine.

Three main dimensions can be used to explain or justify convergence in social welfare benefits and systems: the economic domain, socio-demographic factors and a large set of data and values which justify the creation of policies and institutions. Convergence between social welfare systems is often said to stem from broader economic convergence. Some empirical studies show that cross-sectional observation of the increasing relationship between the share of social expenditure and per capita GDP is largely confirmed by a country's economic evolution. Despite the period of economic crisis or recession in the 1980s and 1990s, the long-term expansion of social expenditure remains closely linked to economic development. The economic literature on convergence highlights specific factors of convergence such as globalisation at international level, a process of catching up between countries and the reduction in the domestic budgetary deficit.

The consequences of globalisation for social welfare systems are well known (see Vobruba in this volume). According to liberal thinking social benefits are non-wage costs, which reduce the incentive to work at national level and jeopardise the competitiveness of companies engaged in international trade. Therefore, international economic and financial pressures compel states to reform their social welfare systems, especially the most generous ones. The reforms in EU member states in the 1980s and 1990s resulted in a significant reduction in entitlements, which has been interpreted as a retrenchment or dismantling of the welfare state, leading to a specific type of convergence known as 'the race to the bottom'.

Another economic explanation of convergence is based on domestic, fiscal constraint and its economic and political consequences (Pierson, 2001). Convergence in the percentage of social expenditure in GDP is seemingly linked to macro-economic policies in EU member states. Especially since the implementation of the Maastricht Treaty, social protection has been considered as a financial burden, which simultaneously blunts the competitiveness of enterprises and fuels the potential public deficit. Analyses of the dismantling or retrenchment of social security systems have been implicitly based on the reduction in the public deficit and public debt. Economic pressure arising from European construction has prompted a general macro-economic convergence among European regions. However, the objective of European harmonisation of taxation has been frozen due to the subsidiarity principle and the rule of unanimity at EU level in tax-related decisions. Also, the convergence/divergence process depends on different types of taxation and tax competition, which can exacerbate the likelihood of competition between member states arising from fears of mobile tax bases. Furthermore, a 'trilemma' between budgetary constraints, equality and employment prevents compatibility between three objectives: budgetary balance, employment growth and equality of incomes (Iversen and Wren, 1998).

Convergence in social protection is sometimes the result of catching up. According to neo-classical models of economic growth, diminishing returns on capital, implicit in the neo-classical production function, mean that the rate of return on capital and, therefore, its growth rate will be very large when the stock of capital is small and *vice versa* (Solow, 1956; Swan, 1956; Koopmans, 1965). If the only difference among countries is their initial level of capital, then countries with little capital will grow faster than rich countries with large capital stocks. Catching up also depends on technological imitation. In the long run, the world growth rate is driven by discoveries in state-of the-art economies. Followers converge towards the leaders because imitation is cheaper than innovation. This theory can be extended to the domain of social protection. As the laggards try to catch up with the innovative countries, they also create or develop their own social welfare system. In this case, convergence in social protection is a direct consequence of national economic growth, which makes it possible to increase taxes and social contributions to finance social benefits. In the 1960s and 1970s, the idea of economic catching up was consistent with the development of social welfare systems, and it generally explains the convergence of the southern European countries toward most developed countries.

In the past, the economic development entailed the extension of the public sector and welfare transfers. The evolution of social protection was linked to economic growth and demographic change (Wilensky, 1975, 2002). Industrialisation brought major changes in family size, structure and living arrangements, and produced a dominant type in industrial society. Convergence is therefore the consequence of maturation in the developed societies. The core notion in convergence theory is that, as nations achieve similar levels of economic development, they will become more alike in terms of social, institutional and cultural aspects of social life. The development of universal human rights has influenced the pattern of social welfare systems in many democracies. All national social welfare systems were created with reference to universal values. Convergence comes not only from common values (universalism) but also from a common culture and knowledge associated with the extension of secular behaviour, the selective process of societies and bounded rationality, which tend to generate a belief in man's ability to achieve progress toward a better world. Today, economic globalisation has embedded itself within a wider process of globalisation of institutions, law and culture. Institutional economics and transaction cost analysis argue that economic performance is largely dependent on efficient institutions and that markets have to be structured by rules (Gessner, 2002). The main convergent trend in the legal framework is linked to the Europeanisation process, the development of the Single Market and the domestic application of international norms expressed by the European Court of Justice. Direct and indirect EU influences have become so strong and obvious that we live in a kind of proto-European system of social protection, in which national social rights are gradually becoming 'regional' European features. This process is apparently an element of European construction, serving as a pre-federalist system (Théret, 2001).

Finally, convergence is based on hybridisation. Globalisation leads to a mixing of cultures, that is a reciprocal (unequal) influence between societies through a simultaneous process of homogenisation and inter-cultural conflicts. This process is consistent with the possibility of 'multiple paths of historical dependence' (Théret, 2001). Convergence in social welfare systems in the most developed countries is one element in a wider process of convergence among the wealthiest countries. According to Harold Wilensky (2002, p. 70), as the rich countries became richer, they developed a plethora of similarities, including the gradual institutionalisation of social programmes and a low level of internal collective political violence.

Some methodological limits to interpretation

Empirical evidence of convergence and the large set of factors that work together to produce convergence in social welfare systems seemingly lead to the conclusion that, in the long run, disparities between countries will be reduced. This conclusion needs to be re-visited.

Statistical analysis of trends in social expenditure provides only a modest perspective on convergence, due to data limitations (number and type of countries, period), quality of the aggregates (content of social expenditure) and methodology (measurement of convergence). If the sample is extended to the less developed countries, the conclusions are different. In the 1990s, the percentage of social expenditure of less developed regions was very low, and dispersion of the ratio was very large. A 'club' convergence of per capita GDP occurred among the richest and poorest countries, but inequality between the two groups increased (divergences). Some of the poorer societies decided to allocate a similar percentage of their GDP to social security expenditure compared to that spent by richer societies. Divergence in the economic process between the developed and less developed regions meant, however, that the development of social security systems is not totally influenced by economic pressure; it clearly depends on institutional factors.

The use of common measurements of disparity between countries requires comparisons for each country in relation to a European average, which does not exist. Comparisons cannot be made with a normative model (race to the bottom) or with a specific country, which could be used as a general social model in Europe. Furthermore, from a statistical point of view (Bouget, 2003b), few countries (only Greece and Sweden) contribute to the process of convergence (decreasing variance).

A link is not made in this paper with the convergence of total social expenditure to an aggregation of spending on different social policies for two main reasons. Firstly, most European financial requirements are global, thus leaving room for a trade-off between various social transfers (Malinvaud, 1996, p. 240). Secondly, analysis of convergence of specific social benefits between countries must take account of the possible phenomenon of substitution (André, 2003, p. 8).

Another methodological problem has been underlined by Peter Taylor-Gooby (2002), who claims that quantitative approaches tend to overemphasise stability, especially the trend in total social expenditure, just at a point when radical changes are on the cards.

Limitations on convergence

Explanations for convergence in social welfare systems need to be re-assessed because factors such as globalisation have various and contradictory effects for social spending and social policies. The sensitiveness of countries varies in response to international and domestic changes. New divergences emerge. This section examines three factors that can hinder convergence: the heterogeneous consequences of economic openness, national resistance and innovation.

DIFFERENTIATED EFFECTS OF GLOBALISATION

Since the late 1980s, most nations have suffered the twofold strain of slow economic growth and a chronic budget deficits. Macro-economic pressures (with or without the Maastricht criteria) have required social policy reforms, and these have been converging. Convergence in specific social policies, therefore, results from the economic pressures entailed by reforms and different types of recalibration (Ferrera and Hemerijck, 2003). The interpretation of these reforms as a shift towards a liberal system and downward convergence is over-simplistic. The empirical measurement of convergence cannot confirm or contradict that convergence is a race to the bottom, without conducting an in-depth analysis of the different effects of globalisation on nations. There is no sign of any convergence to the bottom, because in the long term, the developed countries have not systematically reduced the average per capita social expenditure. Changes in benefit criteria and the significant reduction in entitlements have not shifted the systems towards the liberal model. Only rarely have entire programmes been abandoned or radically changed because national institutions and electoral constraints were working against radical departures from established welfare state models. A slight increase in macro-economic aggregates for social welfare systems can, therefore, be observed at the same time as a reduction in social rights (Huber and Stephens, 2001). When we investigated different social policies, we noted that upward convergence of social benefits can also occur, especially in healthcare (Eichener, 1995; Comas-Herrera, 1999).

Recent economic history has shown that the openness of international trade, the dramatic post-1970s rise in international capital mobility, competitiveness and integration of trade did not produce the same consequences everywhere. One important outcome is that the liberal economic model, illustrated by a process of Americanisation, does not appear to be a unique historical path because greater openness raises the demand for social protection against the ravages of world markets (Saari, 2001, p. 174). Therefore, tension between the pressure of international economic norms and domestic pressure for greater social protection does not always engender retrenchment of social welfare states. In countries that experienced a high fiscal deficit, international capital mobility is negatively related to social welfare effort (Swank 2002, p.277). However, the extension of free market rules is combined with many different institutions: co-ordination, bargaining, public influence, complex national networks, specialisation and domestic factors. Furthermore, most benefits are non-tradable. Duane Swank (2002) states that domestic political conditions – electoral inclusiveness, social corporatism, centralisation of authority, and existing welfare-system structures – shape the responses of democratic governments to economic integration, spurring divergence more than convergence. As a result, globalisation can provoke increased welfare benefits in some developed economies and retrenchment in others, leading to divergence as well as convergence. More generally, the developed welfare states of northern Europe were constructed in very open trade economies in which the performance of the export sector was pivotal for the country's economic welfare. It is clear that export competitiveness was not the cause of retrenchment, at least not as a direct economic constraint (Sharpf and Smith, 2000; Huber and Stephens, 2001; Pierson 2001). The Nordic welfare states managed to absorb the growing labour force, due to the inflow of women, by expanding public sector employment. Smaller countries, which are exposed to a higher degree of pressure from international competition, are likely to develop co-operative relationships between employers, unions and governments resulting in higher levels of social protection (Montanari, 2001, p. 471). Due to resistance against the downward harmonisation of social benefits, which maintains differences between countries, it is conceivable that the real tensions between globalisation and national political autonomy emphasised in the literature have been resolved through convergence to an intermediate level of social expenditure rather than a race to the bottom (Wolf, 2002).

Finally, an acute model of convergence is absent from social welfare domains. Caroline De la Porte (in De la Porte and Pochet, 2002) notes that in European economic policy, several common rules are enforced in the EU independently from the national situation. The Single Market, the Maastricht Treaty and macro-economic convergence criteria have created a homogeneous area of economic decisions and policies. Exactly the opposite occurred with regard to social protection, because there is no implicit or explicit model on which to converge, contrary to the situation with economically oriented policies. However, the paradox is that, on the one hand, the new system of economic policy making in Europe, which entailed the convergence of certain economic variables (prices, budgetary deficit), did not lead to any convergence in per capita GDP in the 1990s. On the other hand, within the domain of social welfare, we note a European convergence, without any explicit model.

NATIONAL DIVERSITY AND PATH DEPENDENCY

Besides differentiation in the effects of globalisation and tensions between international pressures and national decisions, domestic factors bolster diversity between nations, such as the principle of subsidiarity, the effect of path dependency, the role of polarisation and social fragmentation or the emergence of new social groups.

Within Europe, convergence is very often described as the route of European construction, and many reforms or policies are based on this objective. Macro-economic and monetary policies, structural funds to reduce regional inequalities in Europe, attempts at tax harmonisation or the Stability and Growth Pact feature among the economic instruments used to achieve this end. Convergence in social protection is also listed on the European agenda, including harmonisation, convergence of objectives, the principle of co-ordination, fundamental social rights and the OMC. Despite European decisions, this type of convergence is by no means obvious given that the principle of subsidiarity is a fundamental rule governing social protection (Fouarge, 2004). This means that national systems of social protection remain largely independent from European decisions, which must obey the unanimity rule in this domain.

Subsidiarity leaves open the possibility of state intervention in appropriate areas (notably in areas which affect equality of condition). Until the 1970s, the harmonisation project failed to produce any results. Directives on co-ordination of social protection did not change national systems and were confined to migrants, and the Council recommendation on the convergence of social protection objectives and policies in 1992 did not produce any practical results in the 1990s (Quintin, 1999; Chassard, 2001; De la Porte and Pochet, 2002). Transplanting the OMC from the fields of economics and employment to that of social inclusion is expected to produce a positive result, but the effectiveness of soft law remains uncertain (De la Porte and Pochet, 2002). All these decisions or non-decisions at EU level have paved the way for the theory of path dependency, which explains the modest or limited convergence of social welfare systems in Europe (Pierson, 2001).

Public choice theory has demonstrated that this rule of collective decision-making can be effective when applied to the distribution of goods and services but not to income. As a consequence, any European reform in this field is impossible. However, several economic rules are gradually influencing the development of national social welfare schemes (competition, the four freedoms), and the rule of qualified majority voting has been extended to certain areas of industrial relations.

In many EU member states, reforms have mainly been ‘home grown’. Major reform initiatives are formulated by senior civil servants (Saari, 2001, p. 138). It is possible to transfer some foreign experiences within national welfare systems (hybridisation), but it is unlikely that a different system could be transferred to another nation. The accumulation of new social policies, new rules and norms has not produced a significant change in national institutions, because many reforms that are inspired by foreign experiences have often remained compatible with national institutions. As argued above, differences between countries are not incidental nor accidental but structural (Unger and van Waarden, 1995), in that they are firmly embedded in local, national and ethnic culture and history. These differences in democratic countries have shaped national public institutions, such as legal systems and structures and traditions of public administration. Almost all commentators accept and observe path dependency, which signifies a non-convergent pattern of social institutions rather than any real divergence, given that it contains the permanent presence of the past, that is national resistance to an international convergence process. Convergence towards any unique, democratic, politico-economic model is unlikely, both because there are strong theoretical reasons for doubting such convergence is even functionally dictated, and because path-dependent cognitive, institutional and political factors militate against it. Furthermore, the pattern of convergence simultaneously becomes unstable because of the sensitiveness to the business cycle and also a ‘more volatile politics of representation’ (Kitschelt *et al*., 1999, pp. 448, 459).

Many statistics clearly show patterns of convergence in relation to social protection among countries. However, the stability of national systems can also be noted. The history of social welfare systems clearly proves that the threat of an Americanisation of

European systems has largely been overestimated, at least in the short run. More recently, Mikko Kautto (2001) has stated that, contrary to much current speculation, there is little evidence to suggest that the Nordic welfare states are becoming ‘Europeanised’. This conclusion is based on an analysis of large-scale empirical data: income distribution, health inequalities, gender equality and gender policies, health and social-care services, policy reactions to family change, activation, social security, employment policies and the financing of welfare states.

Because many European welfare states were facing similar socio-economic challenges in the 1980s and the 1990s, policy makers were expected to develop common response strategies. This direct link is not self-evident because, according to Guiliano Bonoli *et al*. (1996), the influence of socio-economic changes on political debates is mediated by the different institutional arrangements that distinguish European welfare states. This differentiation is again reinforced by the principle of subsidiarity. They conclude that common socio-economic problems do not necessarily imply convergence in policy making.

INNOVATION AND INEQUALITY

Path dependency highlights the power of national culture and institutions and explains resistance to convergence among nations. However, another opposing explanation should be combined with it, largely based on innovation and its consequences. The diffusion of new types of communication, the use of new information technology, access to globally distributed information provides privileges for a minority of well-off people, but it simultaneously excludes those who do not use this dominant pattern to communicate. Access to services linked to new technologies appears to be disproportionately concentrated among the haves, while increasingly excluding the have-nots from any participation whatsoever.

The divergence/convergence process is linked to innovation/ generalisation in social policies. For instance, when the first countries created a minimum income policy, this was the start of a future general system of minimum income in the developed countries. However, from a statistical point of view, this start was a divergent process in comparison with the other countries (period of innovation). Therefore, convergence only appeared during the period when minimum income was being more generally implemented in societies (entropy principle), accompanied by a reduction in the diversity between the countries that had implemented such a scheme and those that had not (period of convergence). This means that innovation in some countries creates a divergence process, while imitation creates convergence. There is a permanent tension between the consequences of innovation as a process of differentiation and the catching-up as a process of imitation and convergence. The new and strong ideological reference to a ‘knowledge-based society’ in the European Union will enhance this tension, which will produce new types of inequality within and between countries.

Models of convergence

The convergence of social welfare systems remains a very debatable issue, involving several theories relating to economic, social and institutional change. The first concerns convergence and generalisation toward a liberal model, but societies share a recent history, which shows the complexity of such an evolution. A second model of convergence is linked to the gradual creation of a new system based on European construction, which mixes divergent and convergent processes during a transitional period, leading to a more stable system. A third theory is based on the dichotomy between the outcomes and institutional dimensions of national social welfare systems. From an institutional point of view, very few changes have affected national social institutions since World War Two. As each system has developed social benefits for a wider section of the population, greater similarity can be observed between social benefits with stable institutions. A fourth theory states that the convergence of outcomes is the sign of a future convergence in institutions, which will change either in the very long run or due to a sudden historical event. The accumulation (and adaptation) of new reforms changes institutions following sudden events. At first, national institutions absorb and/or resist new collective international decisions. This period is characterised by a long list of new national reforms and the emergence of new doctrines, which appear as exogenous in the recipient country. Finally, the permanent tension between divergence and convergence prevents a deterministic process within modern (or post-modern) societies; past convergence does not always lead to convergence in the future. Any study of past long-run convergence in social welfare systems raises the question of how long the trend will continue. In fact, the risk of a divergent period increases as convergence continues. Convergent countries automatically become increasingly sensitive to any domestic or international changes.

These tensions again raise the question: are we really observing convergence in individual social rights between developed countries? Statistical studies often conclude that social expenditure is converging. However, knowledge about the convergence of the rules governing social policies is not well advanced. The gradual shift from a society based on industry to a knowledge-based society has produced a new ideology about current social welfare systems. This ideology tends to enhance new principles of an enabling state, which can produce divergence at the international level and new types of inequalities at the domestic level; for instance a new type of deprivation among unskilled people. It is difficult to conceive of future accumulation of similar social policies in Europe without any adaptation in institutions. Any such change could appear as a political and institutional crisis, which would gradually produce a new type of society.

National social welfare states remain the outcome of implicit or explicit negotiations between social or political groups, the result of ‘social dialogue’, political alliances, social conflicts and other factors that are often analysed as national forces of resistance against a potential global convergence. Within this context, what will be the consequences of domestic reforms, leading to decentralisation, on the one hand, and a permanent process of Europeanisation, on the other. Both are forces that may weaken the power of social welfare states at national level. As Peter Taylor-Gooby (2003, p. 554) has said: ‘Pressures for both liberalism and or a stronger interventionist role exist, and whether the balance between the two will shift in the future is at present unclear.’

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