

**The Puzzle of Welfare State Reform in Austria, Germany and the Netherlands:
The Importance of Traditional Partisanship in Parental Leave Reform and the
Partial Importance of Traditional Partisanship in Pension Reform**

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Paper prepared for the conference "Governing Work and Welfare in an Enlarged
Europe", Madison, May 19-20, 2006.

1. Introduction

Many studies have suggested that the political power of social democratic and Christian democratic parties played an important role in the founding and the expansion of the welfare state (Korpi 1983; Esping-Andersen 1985; Van Kersbergen 1995). Macro-comparative quantitative accounts, however, find no, or no consistent, partisan effect since the late 1970s (e.g. Huber and Stephens 2001; Kittel and Obinger 2003; Korpi and Palme 2003; Allan and Scruggs 2004). These findings about welfare reform are puzzling to us because they either seem to point at the explanatory relevance of alternative, contradictory theories such as the new politics thesis and a policy learning approach, or they suggest that current macro-comparative quantitative accounts do a poor job in identifying partisan effects.

This brings me to the following research question: Does partisanship matter in explaining welfare state reform? Since the seminal work of Paul Pierson (1994), neo-institutionalist approaches prevail. Pierson's new politics perspective holds that in the present era of austerity, class-based parties and organised labour once driving welfare state expansion have been superseded by powerful new client-based groups particularly responsive to big, expensive welfare programs. Consequently, welfare states remain remarkably stable.

However, this paper argues that aggregate social expenditure data - as used within most studies on welfare reform, including the work of Pierson - obscure judgment of whether different social and governmental actors in reform politics make a difference in the direction of reform. In fact, aggregate data cannot tell us very much about how, or on whom, the money is (re-)distributed and are hardly capable of proving or disproving notions of a stable welfare state. Therefore, the paper develops a new way to measure directions of welfare reform at the individual level of

entitlements. The method is used here to examine the influence of partisanship on pension reform (pensions, early pensions and active ageing programs) and reforms of parental leave schemes in Austria, Germany and the Netherlands from 1989 to 2005.

Taken together, the selected programs shed light on welfare state reform in general. Pension provisions typically constitute the largest social program and have developed strong support bases in addition to those groups that supported their original enactment. As such, pensions rather than parental leave schemes offer a primary example of the new politics perspective. Moreover, pensions have become hugely controversial due to ageing and, especially in continental European countries, generous early retirement schemes (Esping-Andersen 1996).

I have opted for a most similar systems design to hold a number of potential explanatory variables for different directions of reform relatively constant. First, by focusing on Austria, Germany and the Netherlands I can control for a great deal of variation within actor constellations. Both Christian and social democratic parties have a reputation as builders of the welfare state. From 1989 to 2005, Austria, Germany and the Netherlands have been ruled by a social democratic party, a Christian democratic party and sometimes even both. Moreover, employers' associations and trade unions are highly involved in the administration of social security schemes.

Second, the new politics thesis points at the relevance of problem loads. In the comparative literature on European welfare states, Austria, Germany and the Netherlands are classified under the regime-types of continental or Christian democratic welfare states (Esping-Andersen 1990; Van Kersbergen 1995). At least until the mid-1980s, these countries subsidised early exit and stimulated the male-breadwinner model (Esping-Andersen 1996). Accordingly, they face more or less

similar problems of low levels of female labour market participation and high levels of early exit in ageing societies. Moreover, as both candidates and members of the European Monetary Union (EMU) these countries were under strong pressure to pursue sound fiscal balances.

While the differences in the nature and intensity of challenges between Christian democratic welfare states are less pronounced than the differences between social democratic and liberal welfare states, they still must not be neglected. First, pension systems in Austria and Germany overly one-sidedly rely on pay-as-you-go (PAYG) financing. Instead, the Netherlands has a more balanced mix between pay-as-you-go and fully funding¹. As such, it is better suited to the diversification of the specific risks associated with either of these financing mechanisms (Schludi 2005: 19). Moreover, the Netherlands performed very well by most commonly used economic indicators between 1989 and 2001, and has performed somewhat worse than Austria since 2001. In its turn, Austria has performed better by these indicators than Germany from 1989 to 2005 (OECD 2001; 2006). Moreover, German reunification has strained fiscal policy, especially since from the start a large part of the costs of unification were displaced onto social insurance schemes – that is, payroll contributions and not general taxation. Finally, meeting the EMU criteria has been a foregone conclusion in the case of the Netherlands, but this has been and continues to be more difficult in Austria and Germany. In short, especially during the 1990s, the Netherlands faces less pressure for reform than Austria, while Germany continuously faces most reform pressure.

¹ Pay-as-you-go financing implies that current employees have to finance the previous generation's retirement. In the case of funded schemes, employees pay part of their (labour market) earnings into a fund of financial assets. Old age pensions are paid out of current capital income, originating from investment revenues (interests) and by selling assets (Haverland 2001: fn. 1; Myles and Pierson, 2001: 308-13).

However, the paper finds that the new politics perspective alone does not explain or predict the reform patterns countries choose. To increase complexity, traditional partisanship only seems partially useful. Whereas traditional partisanship sheds quite some light on parental leave reforms, this is to a lesser extent the case in the field of pensions. In fact, Christian democrats and social democrats in Austria have reformed pensions largely in line with traditional theories on partisanship. While this is only partially the case in the Netherlands, German pension reforms appear most puzzling. Here, social democrats have pursued social democratic reforms from 1998 to late 1999, but have subsequently implemented a more liberal reform agenda than their Christian-liberal predecessors.

The paper proceeds in five sections. Section 2 outlines traditional theories on partisanship and the welfare state. Section 3 discusses the problems aggregate social expenditure data have had with measuring welfare state reform. Section 4 clarifies the method and ends by formulating some hypotheses derived from the proposition that traditional partisanship still sheds light on the politics of the welfare state. Section 5 tests the hypotheses by applying the method to reforms of pensions and parental leave schemes in Austria, the Netherlands and Germany, respectively. Finally, section 6 summarises the puzzle and suggests some theoretical approaches seemingly able to solve it.

2. Partisanship As We Knew It?

According to Iversen and Wren, at least until the 1990s, partisan differences were important for understanding divergent national responses to rising unemployment, inequality, and the need for fiscal restraint. From their perspective, governments and countries confront a three-way choice, or 'trilemma of the service economy' between

fiscal balances, employment growth and earnings equality. While it is possible to pursue two of these goals simultaneously, it has thus far proved impossible to achieve all three. This does not logically preclude maximising a single goal, but only modest success is possible on all three accounts (Iversen and Wren 1998).

Table 1 portrays three ideal-type social policy values, goals and means. I use Iversen and Wren's designations of the service sector trilemma to identify the policy goals within each type². In agreement with Esping-Andersen (2002), my use of the terms suggests that Christian democracy has traditionally prioritised status maintenance rather than earnings equality and public finances. Moreover, I have included the role of the family as a potential policy goal. These ideal types will stand at the base of the method to be outlined in section 4.

The first ideal type is called social democratic because budgetary restraint is traded for earnings equality, equality of opportunity for women (i.e. enabling women to enhance their differences via labour market participation) and high employment. It “combines a strong egalitarian ethos with a work ethic that emphasizes employment as the root of collective identity and pride. Although social democratic parties, initially rising with the growth of a predominately male blue-collar workforce, only very gradually shed their traditionalist views on women and the family, modern social democratic parties have everywhere come to recognize women as equal partners in the social democratic project for solidarity and employment for all” (Iversen and Wren 1998: 515). Therefore, social democratic parties promote the individual capabilities of family members via social services. Moreover, state intervention via universal transfers and social services is perceived as a necessary tool to achieve earnings equality, equality of opportunity for women and high employment.

² Although similar to Esping-Andersen's designations of his three worlds of welfare capitalism, Iversen and Wren argue that their use of the terms has a much narrower and precise meaning that is not directly concerned with the welfare state.

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

The third ideal type is labelled neo-liberal because market-generated inequality is traded for equality of opportunity, cost containment and high private sector employment. “Ideologically, this model is grounded in a belief that freely operating markets are inherently welfare maximizing, whereas state involvement in the economy leads to a misallocation of resources” (Iversen and Wren 1998: 514). As

such, low transfers and low social services are in principle only provided on a means-tested basis for the most disadvantaged citizens (Seeleib-Kaiser et al. 2005: 7).

Moreover, in its pure form, neo-liberalism is based on the liberal idea “that policies interfering with the free operation of markets, with the exception of a few important public goods such as law and order, threaten the pursuit of individual liberty” (Iversen and Wren 1998: 514). Accordingly, family policy is largely perceived as a private matter.

Table 1 Ideal Social Policy Values, Goals and Instruments of Political Parties

	Social Democracy	Christian Democracy	Neoliberalism
Policy values	Earnings equality Equality of opportunity for individual family members State	Maintain status differences Support the traditional family as an institution Subsidiarity	Equality of opportunity Family as a private matter Market
Policy goals	Earnings equality Equality of opportunity for women Employment growth -	Maintain status differences Women as providers of social services - -	Equality of opportunity No family goals, private matter Employment growth Fiscal balances
Policy instruments	State High transfers and high services Universal social rights	State secondary to social partners and the family High transfers and low services Status-based entitlements	Market Low transfers and low services Means-tested entitlements

3. The Dependent Variable Problem

Any attempt to describe and measure reform must confront a crucial debate in the comparative welfare state literature: what has now been labelled the ‘dependent variable problem’. As the term suggests, the ‘dependent variable problem’ is about defining the object of the entire debate about welfare state reform. This involves such questions as how does one separate cutbacks from adjustments?; and which data are most appropriate for empirical investigations of reform outcomes (Green-Pedersen, 2002)?

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

The impact of a reform on different groups brings us automatically to the issue of appropriate data. Following Esping-Andersen’s lead, there has been a broad recognition that many of the theoretically relevant outcomes of welfare state reform will simply not be captured by aggregate social expenditure data (Clayton and Pontusson, 1998; Goodin et al., 1999). This type of data cannot tell us very much about how, or on whom, the money is (re-)distributed. For example, we may see differences in specific programs that are masked by overall social spending patterns. Moreover, as long as the growth of beneficiaries exceeds the per-capita percentage reduction in benefits, spending will be higher (Allan and Scruggs, 2004: 498). Furthermore, a problem with measures based on expenditures is the ‘time-lag problem’. This refers to the fact that many cutbacks, especially in the field of

pensions, are designed to have gradual impact rather than immediate effects. Consequently, many enacted cutbacks are not yet visible in expenditures (Pierson, 1994: 14; Green-Pedersen, 2002: 8). Finally, measurement problems in aggregate social expenditure data have raised concerns (Kittel and Obinger 2003; De Deken and Kittel 2006).

However, based on UK and US spending levels, Pierson (1994, 1996) found that the welfare state remains stable even if it is confronted with ideological governments that are strongly committed to social policy cutbacks. Thus, why should we attribute a strong causal force to partisanship if it seems unable to explain reform outcomes?

4. The Method and Hypotheses

In order to identify distinct reform characteristics between and within different countries, I have developed a method to measure directions of welfare reform. The method enables us to measure the degree of emphasis on the three different goals of the service sector trilemma.

To indicate the way in which a reform agenda promotes employment growth and the extent in which this is done, re-commodification and equality of opportunity are added to the goals of the service sector. De-commodification involves enabling a person to live independent from labour market participation (Esping-Andersen 1990: 21-2). On the other hand, re-commodification refers to a restriction of the alternatives to labour market participation, either by tightening eligibility criteria or cutbacks (Pierson 2001: 422). Re-commodifying measures promote employment growth as well as fiscal balances. However, another possibility to increase work incentives is

enabling groups of the active population to enhance their differences (i.e. stimulating equality of opportunity).

Examples of policies promoting equality of opportunity include active labour market policies, flexible retirement schemes and occupational pensions. Though these may be backed up by penalties ('sticks'), I only include 'carrots' such as subsidies, tax-breaks and extensions of rights dependent on labour market participation, since penalties are considered to be re-commodifying measures. Furthermore, it is worth noting that reforms stimulating equality of opportunity do not only promote employment growth but also offer possibilities to recover at least some of the expenses because of this stimulation of labour market participation. Finally, it is important to point out that reforms promoting earnings equality either de-commodify relatively disadvantaged groups (lower-income groups, female workers, the unemployed, retirees and lower-income retirees) or re-commodify relatively advantaged groups (higher-income groups, higher income-retirees and, especially in continental European countries, certain occupational groups). Hence, employment growth and fiscal balances are sacrificed if measures de-commodify relatively disadvantaged groups, while these are promoted when measures re-commodify relatively advantaged groups.

Taken together, the three goals of the service sector trilemma (earnings equality, fiscal balances and employment growth) and the two dimensions of employment growth (re-commodification and equality of opportunity) constitute the five dimensions of the method. A dimension that is maximised by a single reform is numbered three. When the reform has potential to recover at least some costs of a dimension, it is numbered two. If a dimension is affected neutrally, it is numbered one. Finally, when a dimension is affected negatively, it is numbered zero. When all

reform incidents are numbered, the points for each dimension can be added. Afterwards, the number of total points for each dimension can be divided by the maximum. This enables us to calculate ratios for each dimension during a certain period. These ratios can be used to identify distinct reform characteristics between and within welfare regimes, and related to the roles and involvement of social and governmental actors during a period. Hence, the method circumvents the time-lag problem.

Another strength of the approach is the ability to identify the effects of welfare reforms at the micro-level of individual entitlements. Four different population groups can be examined: the active population; retirees; upper-income retirees; and lower-income retirees. In its turn, the active population is divided in different subcategories: all; public and private workers; private workers; civil servants; white-collar employees; blue-collar workers; the self-employed; lower-income groups; upper-income groups; women; men; children; female workers; male workers; older workers; unemployed; young unemployed; and old unemployed. Following the procedure outlined above, the number of total points for each dimension received by each group and subcategory can be counted during a certain period. Similarly, ratios can be calculated and used to identify distinct reform characteristics.

To show how reform incidents are coded, I will provide some examples below³. These are coded on the basis of the effects that I think they have and not on the basis of the effects reforms are meant to have according to certain actors. First, consider a reform in a universal scheme that tightens eligibility criteria or cuts benefits. Here, re-commodification, fiscal balances and employment growth are promoted, and score three. Equality of opportunity is affected neutrally. This is

³ The Appendix includes a table portraying how reforms have been coded. This table also shows how the ratios for each dimension of the method have been calculated.

because employment growth is promoted by making people more dependent on the labour market, but the people who were already employed still have the same possibilities to enhance their differences. Hence, equality of opportunity is numbered one. However, earnings equality is sacrificed because the reform may affect all categories of the population, but hits the most disadvantaged relatively most. Accordingly, earnings equality scores zero.

Second, whereas raising minimum pensions promotes the interests of lower income retirees, making parental leave benefits independent of labour market participation promotes the interests of women in particular. In both cases, earnings equality is numbered three. Employment growth and fiscal balances, however, are affected negatively because both lower income retirees and women are made less dependent on the labour market, and raising benefits obviously costs money. This implies that employment growth and fiscal balances score zero. Accordingly, the two dimensions of employment growth also score zero.

The third example concerns the promotion of part-time retirement for employees by means of subsidies as well as the stimulation of parental leave arrangements dependent on labour market participation. These reforms respectively enable older employees and (in particular) female workers to enhance their differences. Hence, equality of opportunity is numbered three. Though the reforms offer possibilities to recover at least some costs due to the stimulation of at least some labour market participation rather than welfare dependency, subsidies and public also involve costs. Therefore, both employment growth and fiscal balances score two. Re-commodification is affected neutrally. This is because employment growth is promoted by enabling people participating in the labour market to enhance their differences, but people who do not work remain as dependent on the labour market as

before. Accordingly, re-commodification is numbered one. Finally, earnings equality is affected negatively since both arrangements benefit those who work rather than those who do not. For this reason, earnings equality scores zero.

In line with the three ideal-types as outlined in table 1, I have formulated five hypotheses:

Hypothesis 1: Social democratic parties promote earnings equality via the state.

Hypothesis 2: Liberal parties emphasise equality of opportunity via private arrangements.

Hypothesis 3: Christian democratic parties place lesser weight on promoting earnings equality via the state than socialist parties and place lesser weight on promoting equality of opportunity via private arrangements than liberal parties.

Whereas these three hypotheses may apply to pensions, for Christian democrats and social democrats the picture is likely to be somewhat different in the case of parental leave arrangements.

Hypothesis 4: Social democratic parties promote equality of opportunity for women via the state.

Instead, Christian democratic parties have traditionally stimulated women to stay at home and care for children and spouse via transfers provided independent of labour market participation. As such, I expect the following:

Hypothesis 5: Christian democratic parties promote earnings equality for women via the state.

5. Reforms of Pensions and Parental Leave Schemes⁴

Austria

In Austria, like in most continental welfare states, the pension system faithfully reproduces the Christian democratic welfare ideal of status maintenance. The public pay-as-you-go (PAYG), defined-benefit scheme covers nearly all persons participating in the labour market and to a large extent determines the income of the elderly population. Actually, there are several separate public programs for workers, the self-employed and farmers, and civil servants. Funded occupational pensions and private provisions hardly exist. The four main routes into early retirement are part-time pensions, unemployment benefits, disability pensions and early pensions due to long contribution periods (Linnerooth-Bayer 2001; Ney 2004).

Throughout the post-war period, the Austrian party system has been characterised by two large parties: the SPÖ (social democrats) and the ÖVP (Christian democrats). Although the 1980s witnessed a rise of the Greens, the SPÖ governed with the ÖVP from 1986 to 1999. However, the size of the two major parties' electoral support decreased during this period at the expense of the right-wing populist Free Democrats (FPÖ). The ÖVP leads a government with the FPÖ since February 2000. This coalition includes two parties with rather similar preferences in social and economic policy (Müller and Jenny 2000; Obinger 2002: 57).

Table 2 portrays Austrian pension reforms from 1989 to 2005. The table covers reforms of the public scheme, civil servants' pensions, occupational pensions, voluntary pension schemes, the four major early exit options and active ageing policies. For the period from 1989 to 2000, the table is based on 41 reforms of which

⁴ The following necessarily excludes many details about the schemes and the changes in them. By way of example, the appendix includes a table on Austrian parental leave reforms from 1989 to 2000. The other tables can be obtained from the author.

only 10 have been implemented until 1996. Between 2000 and 2005, 57 reforms were counted, 20 of them were implemented during the first term of the ÖVP-FPÖ government.

Table 2 Pension reforms in Austria by governmental periods, 1989-2005

	Employment growth	Fiscal balances	Re-Commodification	Equality of opportunity	Earnings equality
Austria, 1989-2000 (SPÖ-ÖVP)	0.77	0.77	0.70	0.36	0.37
Austria, 2000-2005 (ÖVP-FPÖ)	0.71	0.71	0.59	0.55	0.18

Note: For each dimension, the total number of points during a governmental period has been divided by the maximum during that period. The maximum has been calculated by multiplying the total number of reforms times 3 during a specific governmental period.

The table above clearly indicates that all parties in government prioritise employment growth, fiscal balances and re-commodification. In agreement with the hypotheses, the governments led by a social democratic party score highest on earnings equality, whereas the ÖVP-FPÖ governments emphasise equality of opportunity most. The latter is mainly due to measures stimulating private pensions and few ‘carrots’ have been provided to stimulate activate ageing. Suffice it to note here that these results do not change markedly if we split up the time period for each governmental term. There is, however, one notable exception. In comparison to its first term in office, the ÖVP-FPÖ coalition more than doubles its score on earnings equality during its second term. This is mainly the consequence of measures expanding means-tested pensions and credits for those taking care of children, independent of labour market participation. Nevertheless, the score is still markedly

lower than under SPÖ-led governments. In short, traditional partisanship continues to play a role in the development of pensions in Austria.

Table 3 Parental leave reforms in Austria by governmental periods, 2000-2005

	Employment growth	Fiscal balances	Re- Commodification	Equality of opportunity	Earnings equality
Austria, 1989-2000 (SPÖ-ÖVP)	0.50	0.50	0.50	0.61	0.17
Austria, 2000-2005 (ÖVP-FPÖ)	0.39	0.39	0.28	0.39	0.50

The data reported in table 3 cover parental leave reforms in Austria from 1989 to 2005. For the period from 1989 to 2000, the table is based on 12 reforms. These are spread evenly across governmental terms. The period from 2000 to 2005 includes 6 reforms, which have all been implemented during the first term of the ÖVP-FPÖ coalition.

In line with my expectations, the governments led by a social democratic party score highest on equality of opportunity. This is a direct consequence of the fact that the SPÖ-ÖVP coalition adopted a two-year paid parental leave regulation for all women in the labour force, and has subsequently implemented some expansions. Nevertheless, the table also shows relatively high scores on re-commodification. Bruning and Plantenga offer an important reason why some re-commodification has occurred. After the final leave year, only 40 percent of mothers returned to work outside the home. Therefore, from 1996 to 2001, the final six months' leave could only be taken if both parents take a minimum of three month's leave (Bruning and Plantenga 1999: 201).

The reforms of the SPÖ-ÖVP coalition clearly differ from those of the ÖVP-FPÖ government. In agreement with my hypothesis, a government led by a Christian democratic party tends to promote earnings equality for women. A long-standing demand of the ÖVP had been that all mothers, whether working or not, should be entitled to equal fiscal compensation. Whilst the SPÖ had always rejected this idea, the rather similar socio-economic preferences of the ÖVP and FPÖ allowed the ÖVP-FPÖ government to swiftly implement a universal parental leave in 2001, regardless of previous employment records (Heinisch 2003: 105; Unger and Heitzmann 2003: 383). Benefits have been slightly increased and women are entitled to 30 months leave instead of 18 months. The introduction and stimulation of a universal scheme also explains why fiscal balances and employment growth score somewhat lower than under SPÖ-ÖVP governments. To conclude, it seems safe to attribute a strong causal force to partisanship in the case of parental leave reforms in Austria.

The Netherlands

In a comparative perspective, the Dutch pension system is a strange animal, combining social democratic, liberal, and Christian democratic attributes. It appears social democratic in the sense of a generous, PAYG financed, universal flat-rate component. However, next to countries like Great Britain and the United States, the Netherlands belongs to the few industrialised countries in which funded occupational pensions and private provisions provide a significant source of pension income. As to Christian democratic attributes, Esping-Andersen (1999: 84-7) points at the Achilles Heel of the Dutch pension system: the stimulation of early retirement (coupled to the absence of an active family policy). The three main pathways into early retirement are

voluntary early retirement schemes, disability pensions and unemployment benefits (Carey 2002).

In the period between 1918 and 1994, gaining office in the Netherlands was equivalent to co-operation with the Christian Democratic Party (CDA) or its Christian predecessors. The three main parties are the CDA, PvdA (Labour Party) and the VVD (Liberal Party). From 1989 to 1994, the CDA governed with the PvdA. However, the PvdA was the biggest party between 1998 and 2002, and formed two so-called purple governments with the VVD and the small Social Liberal Party (D66). From 2002 on, the CDA again became the biggest party and has thus far formed two governments. For about three months, the Christian party leader, Jan Peter Balkenende, led a government in which the CDA co-operated with the VVD and the right-wing populist List Pim Fortuyn (LPF). Afterwards, the cabinet became a caretaker government. From May 2003 on, Balkenende leads a government with the VVD and D66 as coalition partners.

Table 4 Pension reforms in the Netherlands by governmental periods, 1989-2005

	Employment growth	Fiscal balances	Re-Commodification	Equality of opportunity	Earnings equality
Netherlands, 1989-1994 (CDA-PvdA)	0.91	0.91	0.67	0.51	0.00
Netherlands, 1994-2002 (PvdA-VVD-D66)	0.69	0.69	0.57	0.52	0.18
Netherlands 2002-2005 (CDA-VVD-LPF and CDA-VVD-D66)	0.80	0.80	0.67	0.64	0.04

Table 4 presents the pension reforms as pursued by Dutch governments from 1989 to 2005. The table includes reforms of the flat-rate pension, occupational pensions, voluntary pension schemes, the three main early exit routes and active ageing policies. For the period from 1989 to 1994, the table is based on 19 legislative

changes. Between 1994 and 1998, 29 reforms were counted of which 23 (!) had been implemented during the first governmental term. From 2002 on, the table includes 25 reforms, all but one have been implemented by the CDA-VVD-D66 coalition.

The table clearly shows that governments of all partisan stripes have prioritised employment growth, fiscal balances and re-commodification. In line with my expectations, the governments led by the social democrats score highest on earnings equality while the Balkenende governments score highest on equality of opportunity. Contrary to my expectations, however, the government consisting of the CDA and the PvdA – the two parties known as the builders of the Dutch welfare state – scores lowest on earnings equality. In fact, earnings equality is not emphasised at all. Moreover, all governments promote equality of opportunity rather than earnings equality. Here, it is worth noting that governments in which social democrats participate stimulate equality of opportunity of disadvantaged employees more than the Balkenende governments. In addition, the very high score of the Balkenende governments on equality of opportunity largely is a consequence of many subsidies for private pensions. Nevertheless, it remains unclear from these figures why the Balkenende governments have implemented about as many active ageing ‘carrots’ in two and a half years as the purple governments have done in eight years. Finally, it remains an open question why the CDA, apart from private pensions, opted for retrenchment without any expansions from 1989 to 1994, and why the PvdA accepted this. To summarise, traditional partisanship sheds partial light on Dutch pension reforms.

From a traditional partisan perspective, the picture is brighter for parental leave schemes. Though the Netherlands is a laggard in this field compared to Austria and Germany, it was the CDA-PvdA coalition that introduced parental leave in 1991.

In order to retain links between employee and the labour market, only unpaid parental leave was allowed at first. As the specific framing of the regulation excluded many (part-time) working women, many improvements have been implemented by the two purple governments (Bruning and Plantenga 1999: 203-4).

Table 5 provides an overview of parental leave regulation in the Netherlands. For the period from 1989 to 1994, the table is based on two reforms. Between 1994 and 1998, 17 legislative changes were counted, six of them implemented by the first purple government. From 2002 on, the table includes eight reforms of which one has been implemented by the CDA-VVD-LPF coalition.

Table 5 Parental leave reforms in the Netherlands by governmental periods, 1989-2005

	Employment growth	Fiscal balances	Re-Commodification	Equality of opportunity	Earnings equality
Netherlands, 1989-1994 (CDA-PvdA)	0.67	0.83	0.33	1.00	0.00
Netherlands, 1994-2002 (PvdA-VVD-D66)	0.67	0.75	0.33	1.00	0.00
Netherlands 2002-2005 (CDA-VVD-LPF and CDA-VVD-D66)	0.79	0.79	0.58	0.75	0.00

Since the CDA-PvdA government implemented only two reforms, it might be better not to attach too much value to the perfect score on equality of opportunity – though interviews point out that the introduction of parental leave was an initiative by the (female) social democratic under-minister of social affairs. The perfect score of the two purple governments for equality of opportunity is also in line with my hypothesis that a social democratic party promotes equality of opportunity for women. In comparison to the CDA-PvdA coalition, the emphasis on fiscal balances is somewhat lower because the purple governments have provided several financial

compensations during at least parts of leave periods. In 2001, for example, parliament adopted ten days of paid leave a year to care for family members.

In comparison to previous governments, the two Balkenende governments clearly score lower on equality of opportunity and higher on re-commodification. This is an immediate consequence of the fact that three expansionary measures of the purple governments have been abolished. Contrary to my expectations, earnings equality is not emphasised at all by any government led by the Christian democrats. Though interviews make clear that paid parental leave was extended from ten days to a year in 2005 at the initiative of the CDA, one should also add that this is for employees only. As such, the reform has been coded as one promoting equality of opportunity. Accordingly, the question remains why Dutch Christian democrats promote equality of opportunity for women rather than earnings equality.

Germany

Like its Austrian counterpart, the German pension system faithfully reproduces the Christian democratic welfare ideal of status maintenance. The public PAYG, defined-benefit scheme covers nearly all employed persons and to a large degree determines the income of the elderly. Actually, there are several separate public schemes for workers, civil servants, the self-employed and farmers. Funded occupational pensions and private provisions are hardly developed. The three major pathways into early retirement are partial pensions, unemployment benefits and disability pensions (Ebbinghaus 2000; Schmähl 2003).

During the postwar period, the (West) German party system comprised a small liberal party (FDP) and two large parties: the Christian democratic CDU/CSU and the social democratic SPD. From 1982 to 1998, the CDU/CSU was in office together with

the FDP. In 1998, the SPD became the biggest party and formed a coalition with the Greens until late November 2005. In fact, this coalition had already lost virtually all its legislative power on May 22 2005, the day the CDU/CSU and FDP gained control of both parliamentary chambers.

Table 6 Pension reforms in Germany by governmental periods, 1989-2005

	Employment growth	Fiscal balances	Re-Commodification	Equality of opportunity	Earnings equality
Germany, 1989-1998 (CDU/CSU-FDP)	0.78	0.78	0.76	0.33	0.22
Germany, 1998-2005 (SPD-Die Grüne)	0.75	0.75	0.64	0.52	0.14

Table 6 presents German pension reforms from 1989 to late November 2005. The data reported include reforms of the public scheme, civil servants' pensions, the three main early retirement routes and active ageing policies. For the period from 1989 to 1998, the table covers 44 legislative changes of which 16 have been implemented until 1996. From 1998 to 2005, the table is based upon 62 reforms, 40 of them were counted during the first term of the red-green government.

The table indicates that all parties in government prioritise employment growth, fiscal balances and re-commodification. In complete disagreement with my hypothesis, the governments led by a social democratic party clearly score highest on equality of opportunity. This is largely due to the fact that private pensions have not been promoted at all until 2001. Since then, the red-green coalition has consistently stimulated private provisions and has implemented nine measures to do so. Though my partisan ideal types suggest that this is a typical liberal response, the red-green alliance describes it as the 'heart' of their concept for 'modernising' the pension scheme (Schmähl 2003: 123). As to other reforms promoting equality of opportunity,

five out of the 62 reforms provide ‘active ageing carrots’. At least when summarised in quantitative terms, this is not all that different from the three ‘carrots’ that have been counted among the 44 reforms of the center-right government. Moreover, they have clearly been outnumbered by the many re-commodifying measures. Nevertheless, one should add that the five ‘carrots’ of the red-green coalition involve the introduction of labour market programs and research programs specifically targeted at older workers.

As to earnings equality, the hypothesis can again be falsified. In fact, the Christian-liberal coalition even scores somewhat higher than the SPD-Greens government. This is because the Christian-liberal government has extended social insurance to the former GDR and has expanded credits for those caring for children, regardless of previous employment records. When the red-green coalition entered office one of its first actions was to restore several cuts that had been implemented by the former government, including a so-called demographic factor. Indeed, if we focus solely on the period between late 1998 and 2000, the red-green alliance would have scored 0.32 on earnings equality and my hypothesis would have been verified. Afterwards, however, reforms have been implemented that entail a more substantial cut in benefits than if the demographic factor had been adopted (De Deken 2002: 286-7; Aleksandrowicz and Hinrichs 2004: 12). In fact, from 2000 on, the only reforms promoting earnings equality are two expansions of means-tested pensions. At least from a traditional partisan perspective, this is a typical liberal response. This time, however, it was one of the two new elements introduced into the German pension system by a social democratic party. The second element involves the promotion of a private pension as described above. In short, German pension policy since 2000 appears puzzling. Most notably, why have social democrats pursued social democratic

reforms from 1998 to late 1999, but have subsequently implemented a more liberal reform agenda than their Christian-liberal predecessors?

The German story becomes even more puzzling if we focus on parental leave policy. Here, traditional partisanship does have a considerable effect on welfare state entitlements in an era of austerity. In 1986, the CDU-FDP coalition introduced a parental leave program that provided children with permanent care by a related person during their first year. This person is entitled to a child-care benefit, independent of previous employment records. In several steps, the Christian-liberal government subsequently extended the length of paid leave to up to two years (Fix 1998: 14; Vogt and Zwingel 2003: 464).

Table 7 provides a summary overview of parental leave reforms in Germany from 1989 to 2005. For the period from 1989 to 1998, the table is based on six reforms. These are spread evenly across governmental terms. The period from 2000 to 2005 includes nine reforms, which have all been implemented during the first term of the red-green coalition.

Table 7 Parental leave reforms in Germany by governmental periods, 1989-2005

	Employment growth	Fiscal balances	Re-Commodification	Equality of opportunity	Earnings equality
Germany, 1989-1998 (CDU/CSU-FDP)	0.33	0.33	0.33	0.11	0.67
Germany, 1998-2005 (SPD-Die Grüne)	0.63	0.63	0.37	0.78	0.22

In line with my expectations, the table above shows that governments led by the Christian democrats emphasise earnings equality most, while the red-green alliance prioritises equality of opportunity. The former is because of the stimulation of universal paid parental leave as described above. Instead, the red-green alliance has

only expanded entitlements for employees. In 2000, for example, the permitted level of part-time work during parental leave was extended from 19 to 30 hours per week. Because of such measures rather than the stimulation of universal payments the red-green coalition scores higher on equality of opportunity, employment growth and fiscal balances. Another notable difference between the two governmental periods is the higher score of the red-green government on re-commodification. This is the immediate consequence of a small rise in income limits for parental leave allowances. Perhaps needless to say, this has occurred at the expense of upper-income groups. As such, the measure has been coded as one promoting re-commodification, employment growth, fiscal balances and earnings equality.

6. Conclusion

This paper has examined two key issues in the literature on welfare state reform that have been the subject of considerable debates in recent years. Following many others, it has been argued that data measured at the individual level of entitlements provide a much greater purchase over questions concerning welfare reform (or, in Pierson's view, lack thereof), and the role that partisanship plays in shaping reform. Accordingly, a new method to measure reform has been developed.

As indicated by table 8, applying the method to parental leave reform suggests that governments led by social democratic parties stimulate equality of opportunity in all three countries across time, despite some differences in problem loads. This is in agreement with my hypothesis. The only outlier is the CDA-PvdA government. Recall, however, that parental leave legislation was an initiative of the (female) social democratic under-minister of social affairs. As to earnings equality, the Dutch case, with the notable exception of the PvdA, is in disagreement with my hypothesis. While

Christian democratic parties in Austria and Germany clearly promote earnings equality, not a single Dutch government led by Christian democrats emphasises earnings equality at all. This becomes even more anomalous if we recall that the Dutch welfare state faced less pressure than its counterparts in Austria and, especially, Germany. Further research is certainly needed here. Theories focusing on party competition, veto players, intra-party politics, ideas and/or policy learning may help to explain why the CDA diverges from the ideal-typical Christian democratic response as regards parental leave schemes.

Table 8 A summary overview of parental leave reforms in Austria, Germany and the Netherlands by governmental period

	Equality of opportunity	Earnings equality
Austria, 1989-1999 (SPÖ-ÖVP)	0.61	0.17
Austria, 1999-2005 (ÖVP-FPÖ)	0.39	0.50
Netherlands, 1989-1994 (CDA-PvdA)	1.00	0.00
Netherlands, 1994-2002 (PvdA-VVD-D66)	1.00	0.00
Netherlands 2002-2005 (CDA-VVD-LPF and CDA-VVD-D66)	0.75	0.00
Germany, 1989-1998 (CDU/CSU-FDP)	0.11	0.67
Germany, 1998-2005 (SPD-Die Grüne)	0.78	0.22

All in all, however, the results indicate that traditional partisanship sheds quite some light on parental leave reform. Whereas Christian democrats tend to promote parental leave for all carers, social democrats stimulate parental leave only for those participating in the labour market. In contrast to the new politics perspective, these parties have actually expanded the welfare state in the field of parental leave, despite

the targeted nature of the schemes and the lack of a powerful constituency to maintain benefits (cf. Morgan and Zippel 2003; Henderson and White 2004).

Instead, it is more difficult to identify a traditional partisan logic in pension politics, at least in certain countries. The case studies show that governments of all partisan stripes have prioritised employment growth, fiscal balances and re-commodification in an era of austerity. This is in line with the new politics thesis. However, the thesis faces difficulties in explaining the large number of reforms. Moreover, it fails to account for institutional path-departures which are becoming more common from the late 1990s on (cf. Hering 2003). Finally, a new politics perspective alone cannot explain or predict why traditional partisanship matters in some countries, periods and policy domains. The latter constitutes the puzzle of this paper and will be further outlined below. In addition, I will suggest some theoretical approaches seemingly able to solve it.

Table 9 A summary overview of pension reforms in Austria, Germany and the Netherlands by governmental period

	Equality of opportunity	Earnings equality
Austria, 1989-1999 (SPÖ-ÖVP)	0.36	0.37
Austria, 1999-2005 (ÖVP-FPÖ)	0.55	0.18
Netherlands, 1989-1994 (CDA-PvdA)	0.51	0.00
Netherlands, 1994-2002 (PvdA-VVD-D66)	0.55	0.18
Netherlands 2002-2005 (CDA-VVD-LPF and CDA-VVD-D66)	0.64	0.04
Germany, 1989-1998 (CDU/CSU-FDP)	0.33	0.22
Germany, 1998-2005 (SPD-Die Grüne)	0.52	0.14

Table 9 clearly shows that Austria largely behaves in line with traditional expectations. Here, governments led by social democrats score higher on earnings equality, while the ÖVP-FPÖ coalitions score higher on equality of opportunity. In fact, SPÖ-led governments score higher on earnings equality than any other coalition led by social democrats. This is in line with earlier research suggesting that the so-called ‘golden age of the welfare state’ lasted considerably longer in Austria than in the rest of continental Europe (Linnerooth-Bayer 2001; Tálos 2002; Ney 2004). Scholars have identified the pension consensus among the SPÖ, the ÖVP and the social partners as being the main reason for this. Especially when the ÖVP-FPÖ government came into office, this consensus and the role of the social partners witnessed a severe decline (Tálos and Kittel 2001).

Traditional partisanship partially explains the politics of pension reform in the Netherlands. Whereas table 9 indicates that coalitions led by social democrats score highest on earnings equality, the Balkenende governments score highest on equality of opportunity. However, further research is warranted to explain why governments in which a social democratic party participates score comparatively high on equality of opportunity. Among other things, this may be due to the fact that, in contrast to Austrian and German social democratic parties, the PvdA could already be classified as a ‘modernised’ social democratic party by the early 1990s (Seeleib-Kaiser 2002). Moreover, it becomes more and more unclear why governments led by Christian democrats do not emphasise earnings equality at all – especially if we bear in mind that the Netherlands faced less pressure for reform than Austria and, in particular, Germany. One likely explanatory factor is the Dutch party system. In contrast to Austria and Germany, the Dutch party system is characterised by a strong liberal party. Once the pivotal center party, the CDA, opted for retrenchment, the PvdA had

to accept this to regain office and Dutch governments used this consensus to frame retrenchment as an economic necessity (Green-Pedersen 2003).

Though traditional partisan theories still partially explain Dutch pension reforms, they seem of little help in the case of German pension reforms. In comparison to the previous Christian-liberal coalitions, governments led by a social democratic party actually score lower on earnings equality and higher on equality of opportunity. In order to shed light on these results, we should compare periods within governmental periods of similar party composition rather than compare periods of different party composition. Until the early 1990s, all major pension reforms were commonly supported by the CDU/CSU and the SPD – at least in the final vote in Parliament. This consensus was backed by the social partners and was dissolved in May 1996 (Hinrichs 1998; Schludi 2005). Indeed, if we split up the reforms of the Christian-liberal governments, we have a score of 0.27 on earnings equality for the 16 reforms that have been coded from 1989 until May 1996, and a score of 0.19 for the 28 legislative changes that have been implemented in the two years afterwards. However, the emphasis on equality of opportunity is only slightly higher during the latter period.

As to the red-green governmental terms, Hering (2004) has argued that the position of the modernisers within the SPD, including that of Chancellor Schröder himself, was weak until June 1999. The period afterwards, however, marked the beginning of a radical change of both the ideas and the policies of the SPD. By polarising the SPD, Schröder marginalised the left wing and abruptly replaced the party's existing pension policy approach with his own conception of it. Accordingly, rather liberal ideas have been turned into governmental policy and became part of the party program. Hering's analysis fits nicely with the puzzling data presented in this

paper. From 1998 to late 1999, the SPD-Green coalition implemented 17 reforms and scores 0.39 on earnings equality and 0.33 on equality of opportunity. Afterwards, the red-green alliance implemented 45 reforms scoring 0.04 on earnings equality and 0.59 on equality of opportunity.

German pension reforms point at an important drawback of current macro-comparative quantitative accounts. While such models are based on assumptions of fixed preferences and unitary actors, preferences may actually be different for certain policy areas, these may change over time and actors are unlikely to be unitary. As such, partisanship may mean different things across time, space and policy domain. In addition to the problems associated with social expenditure data, this probably helps to explain why macro-comparative quantitative accounts, find no, or no consistent, partisan effect since the late 1970s.

Further research is clearly warranted. Only some theoretical approaches seemingly able to solve the puzzle have been outlined above. Another important candidate is a policy learning perspective. Peter Hall (1993) has developed a framework to understand the process of policy learning in public policy. Hall differentiates between 'first', 'second' and 'third-order changes'. He defines a first-order change as a change in instrument settings. A second-order change is defined as a change of the instruments, while the overall policy goals remain the same. Finally, we can identify a third-order change if the overall goals and instruments are newly defined and thus constitute a new 'paradigm'. Please note the similarities between Hall's analysis and the ideal-typical social policy instruments, goals and values outlined in table 1. As such, a policy learning perspective may contribute to improve our understanding of partisanship and welfare state reform. However, to discriminate

between the several theoretical approaches seemingly able to solve the puzzle, we have to focus on underlying processes at a lower level of analysis.

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Appendix: Reforms of Parental Leave in Austria, 1989-2000

Year	Reform	Score on dimension	
1990	Maternity leave can also be taken by the father if the mother of a child has the right to paid leave (before birth of a child, the mother must have been socially insured for 52 weeks) or if she is employed	Equality of opportunity	3
		Employment growth	2
		Fiscal balances	2
		Re-commodification	1
1990	Two years of paid parental leave instead of one	Equality of opportunity	3
		Employment growth	2
		Fiscal balances	2
		Re-commodification	1
1990	Those who do not have the necessary number of weeks in employment for entitlement can obtain 50% of the normal parental leave allowance if they have at least earned entitlement to maternity allowance	Earnings equality	3
1995	Introduction of a general care allowance system (<i>Pflegegeld</i>)	Earnings equality	3
1995	Parental leave reduced to 18 months except in cases where the husband takes leave for at least six months	Employment growth	3
		Fiscal balances	3
		Re-commodification	3
		Equality of opportunity	1
1995	Lone mothers entitled to apply for an additional grant of around 45% of the parental leave allowance (<i>Sondernotstandshilfe</i>) instead of a 50% higher parental leave allowance	Employment growth	3
		Fiscal balances	3
		Re-commodification	3
		Equality of opportunity	1
1996	Reduction in possibilities of taking a part-time parental leave	Employment growth	3
		Fiscal balances	3
		Re-commodification	3
		Equality of opportunity	1
1996	Reduction in conditions for receiving a special assistance payment when lone a mother can't take a paid job because of a lack of childcare facilities	Employment growth	3
		Fiscal balances	3
		Re-commodification	3
		Equality of opportunity	1
1998	'Benefit for further education' after maternity leave	Equality of opportunity	3
		Employment growth	2
		Fiscal balances	2
		Re-commodification	1
1999	Parents, if the mother was employed during the pregnancy, entitled to 24 months' leave,	Equality of opportunity	3
		Employment growth	2
		Fiscal balances	2

	which has to be taken before the child turns 8 instead of 2 years	Re-commodification	1
1999	Following adoption of a child aged between 2 and 8, the parents will be entitled to six months' leave, if the mother was employed during the pregnancy	Equality of opportunity Employment growth Fiscal balances Re-commodification	3 2 2 1
1999	Maternity leave extended from 16 to 18 weeks	Equality of opportunity Employment growth Fiscal balances Re-commodification	3 2 2 1
Total points	All 12 reforms	Equality of opportunity Employment growth Fiscal balances Re-commodification Earnings equality	22(total)/36(maximum; 12 times 3) = 0.61 18/36 = 0.50 18/36 = 0.50 18/36 = 0.50 6/36 = 0.17