

The future of the welfare state: paths of social policy innovation between constraints and opportunities

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Institutional fragmentation and coordination initiatives in western European welfare states

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Introduction

Since the late 1990s, the institutional fragmentation of social security systems for working age people has been increasingly perceived as problematic. One major reason for this is to be seen in the widespread introduction of active labour market policies. Since the 1990s, many western European welfare states have undergone a reorientation towards activation. This wave of reforms, which induces a « paradigm shift in welfare state objectives from income protection to labour-market integration » (van Berkel and Borghi 2008: 333), has also put into question the internal division of social security systems. The extension of activation policies to unemployment people traditionally considered as inactive has forced many agencies to redefine their core activities and work with new actors. As a result, the division of social security systems, until then organised along social risks such as unemployment, invalidity or sickness and separated between active and passive policies, has turned out to be an important obstacle to the success of activation policies (Eichhorst *et al.* 2008).

In this context, many OECD countries have initiated reforms aimed at re-organizing and better co-ordinating their social security systems for working age people. There are, however, significant differences in the ways they have responded to the fragmentation problem. The responses, which we call « coordination initiatives », range from minimalist measures, such as the adoption of collaboration procedures involving relevant agencies (Switzerland) to more far-reaching initiatives, such as the merging of the employment and social security agencies

(Norway; UK) or the merging of unemployment and social assistance (Germany). In addition, in some countries like Italy, the problem of fragmentation has not emerged as a public policy problem (yet) and coordination initiatives essentially remain at the local or regional level (Genova 2008).

Against this background, the objective of this paper is to develop first hypotheses able to account for the diversity of responses adopted across western European countries. They will be based on the political science literature and will be illustrated by concrete examples, taken mostly from the UK, Germany, France and Switzerland. However, before turning to the presentation of hypotheses, a more precise definition of what we mean by “coordination initiatives” is required.

Defining the dependent variable “coordination initiatives”

If we want to analyse the reasons for the observed cross-national diversity in responses to the fragmentation problem, it seems important to firstly define more precisely what we label “coordination initiatives”. In general, we consider a “coordination initiative” as any reform of the administration and implementation of policy delivery which explicitly aims at tackling the fragmentation of social security systems for working-age people.

Coordination initiatives may be more or less far-reaching. At the most basic level, coordination initiatives take the form of formal collaboration guidelines or partnership work without involving any major reorganisation of the system (Overbye *et al.* 2008). At the other extreme, coordination initiatives imply an outright merger of two or more agencies. Examples of mergers within European social security systems are rather rare. However, where they have occurred, such as in the UK, Norway and France, they have above all aimed at integrating the benefit delivery and employment services into one single agency. The one-stop-shop model represents an in-between form of coordination initiatives. One-stop-shops agencies have been introduced in several European countries. Despite substantial differences across countries, they all have in common that they co-locate several service providers without, however, involving a merger of the providers concerned (Clasen *et al.* 2001; McQuaid *et al.* 2007; van Berkel and Borghi 2008). The German model (the so-called *Arbeitsgemeinschaften*, ArGe) is an example of one-stop-shop agency in which social assistance offices and PES co-operate in order to provide integrated services to the long-term unemployed.

It stands out from these examples that coordination initiatives are generally about “operational policy reforms”, which refer to reforms of the ways in which policies and services are administered and delivered (Carmel 2003; Borghi and Van Berkel 2007). Yet, it may also happen that some “formal policy reforms”, and more particularly the integration of different types of benefits, are undertaken as an explicit response to the fragmentation problem. This is notably the case of the German Hartz IV reform, which responded to the problematic separation between unemployment assistance and social assistance by both integrating the two benefits into one single benefit for the long-term unemployed (ALG II) and establishing a one-stop-shop agency for this newly created benefit. In such a case, it is clear that we cannot exclude both aspects of the reform from the analysis, but our primary interest will lie in the operational side of the reform.

We will restrict our analysis to coordination initiatives that involve the core agencies involved in the administration and implementation of unemployment protection systems broadly understood (what we call social security systems for working-age people). That is, we will consider here only coordination initiatives between public agencies involved in the provision of unemployment benefits, public employment services, social assistance and, if needed, incapacity benefits. Other forms of coordination, such as public-private partnerships will therefore not be taken into account, even they constitute an important part of current operational policy reforms in unemployment protection systems.

Notwithstanding these few specifications about what we include vs exclude in coordination initiatives, it remains now to define more precisely the dimensions of variation in coordination initiatives. As already suggested, one dimension refers to the intensity of the coordination initiatives. In this respect, coordination initiatives are categorised in a continuum between “soft” and “hard” initiatives (Nylen 2007; Overbye *et al.* 2008), with soft initiatives corresponding to reforms which leave the existing governance structure intact (e.g. collaboration guidelines) and hard reforms implying a major overhaul of the governance structure, through notably mergers. The establishment of one-stop-shop agencies would then be somewhere in between.

However, we argue here that considering only this dimension is not sufficient to grasp all possible variations in coordination initiatives. For instance, it would be misleading to put the

recent French merger of the agency in charge of the unemployment benefit delivery (Assédic) and Public Employment Services (ANPE) in the same category as the merger of the Benefit Agency (BA) and Employment Services (ES) in the United Kingdom. Indeed, whereas the former concerned only the administration of unemployment benefit, the latter resulted in the creation of one single agency in charge of all working-age benefits and services. Therefore, we argue that a more defined conceptualisation of coordination initiatives needs to be completed by the degree of encompassiveness of the reform. According this dimension, a far-reaching coordination initiative would encompass all agencies involved in delivering unemployment-related benefits and employment services in a country (such as in the UK or in CH), whereas modest coordination initiatives would only include two agencies (Dk and D).

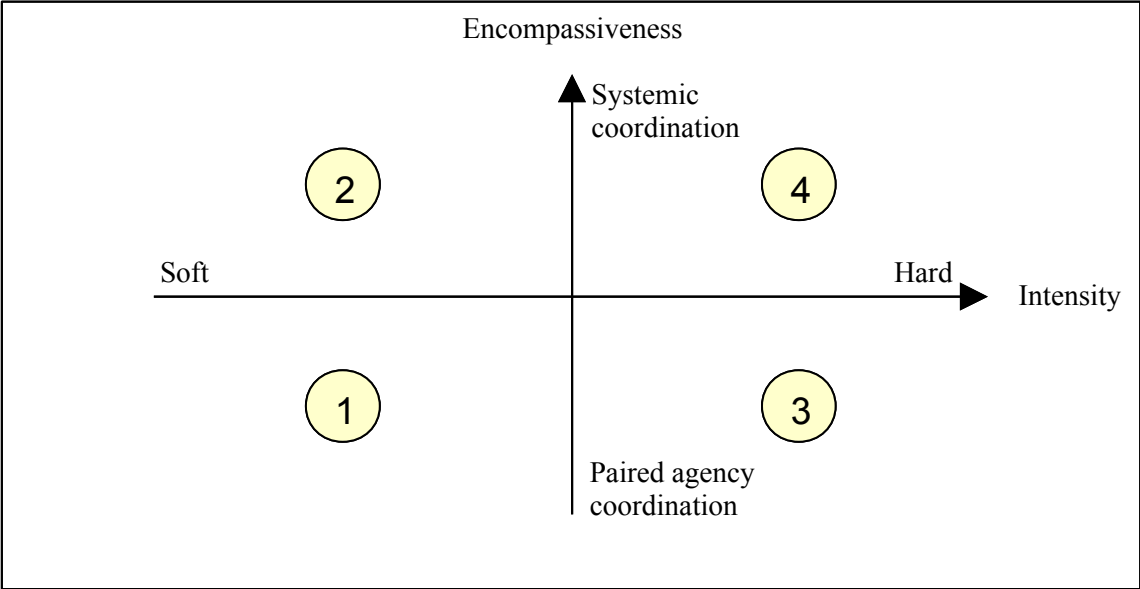


Figure 1: a two-dimensional understanding of coordination initiatives

Most coordination initiatives can be placed on the resulting two-axis diagram (fig. 1). The less ambitious initiatives will be found in the lower left hand side quadrant (No. 1), for example a collaboration procedure between social assistance and employment services. In quadrant 2, one would find initiatives that are not strictly binding, but involve several actors. This can be the case of one-stop-shops which provide a single point of contact for several services without implying a merger of the agencies in charge of these services (e.g. the Dutch Centres for Work and Income; ArGe in D). Albeit less intensive, collaboration guidelines applying to the most relevant agencies (e.g. CII-MAMAC in CH) could be also placed in quadrant 2.

By contrast, quadrant 3 will include stronger forms of coordination, such as the transfer of responsibility (and budget) from one agency to another or the outright merger of two agencies (e.g. the creation of Pôle Emploi in F). Finally, quadrant 4 covers the most ambitious coordination initiatives, that is reforms aiming to establish one single agency in charge of the delivery of all working-age benefits and employment services (e.g. Jobcentre Plus in the UK)

Theoretical perspectives and hypotheses

The theoretical framework for this paper relies on the political science literature. Four strands of literature are presented and examined in the light of their ability to capture policy continuity/stability and policy change. The theories of institutional capabilities and path dependence form the core of our theoretical framework. They are completed by theories of problem pressure and policy learning, which both highlight factors that may facilitate policy change. All these theories have been widely discussed in the comparative literature on welfare state reforms.

1. Problem pressure and coordination initiatives

Some of the early studies of welfare state development have highlighted the existence of a rather simple relationship between the extent of social problems and the development of the relevant policies. This argument has been made most famously by Harold Wilensky, who showed that the one of the key determinants of variation in social expenditure across countries was the proportion of older people. Within a functionalist understanding of policymaking, Wilensky saw social policy, in particular pension policy, as a response to an emerging need (Wilensky 1975).

The functionalist approach to social policies was later criticised by various schools of policy analyses, for failing to take into account the mechanisms that translate the emergence of a new social problem into a new policy, on both the political (Korpi 1983) and institutional levels (Immergut 1992b). In addition, Wilensky's functionalist approach proved unable to explain large differences between countries with similar level of economic development and population age structures (e.g. Sweden and the US).

More recently, some authors have argued that problem pressure and more specifically the extent of social problems such as unemployment and exclusion should be incorporated into policy making models. Scarbrough, for instance, argues that the persistence of social problems contributes to explain the resilience of welfare states to neo-liberal attacks (Scarbrough 2000). In a similar vein, Siegel shows that problems like unemployment and ageing are key determinants of social expenditure (Siegel 2000).

The problem pressure perspective can be helpful in generating hypotheses on the type of responses countries will develop in dealing with the internal fragmentation of their welfare states. An important defence relative to the literature on the development of the welfare state in general, refers to the fact that problem pressure induced by fragmentation is considerably more difficult to measure. The extent of social problems can generally be assessed with social indicators (poverty, unemployment, age structure). It is more difficult to quantify the extent to which fragmentation produces inefficiency. A problem pressure perspective in relation to welfare state internal fragmentation will refer more to the perception of problem pressure than to some objective measurement of it.

We expect perception of fragmentation-induced problem pressure to be strongest when two conditions are fulfilled: when the unemployment or non-employment rate is high, and in countries which have reoriented their welfare state towards activation.

First, internal fragmentation is likely to be considered as a problem in countries where unemployment or non-employment are seen as problematic. In a situation of full employment, the inefficiencies related to the internal fragmentation of a social security system may go unnoticed.

Second, fragmentation is likely to be recognised as a problem only if active efforts to move non-working individuals back into employment are undertaken. Countries where non-employment is treated mostly in a passive manner are unlikely to recognise fragmentation as a problem. Fragmentation, in fact, creates problems especially when efforts to activate the beneficiaries of a scheme result in their transfer to another scheme instead of increased labour market.

Third, while most countries have developed risk-based systems of social security, differentiating between different groups of beneficiaries on the basis of the cause of non employment, some systems can be characterised as more fragmented than other ones. In the UK, at one extreme, all social security benefits have traditionally been the responsibility of a single central government department (Department of social security, now Department of work and pensions). At the opposite extreme, in Switzerland, schemes are managed by a range of actors, including federal, cantonal and municipal government and social partnership institutions. In between one finds countries like France where the central state shares responsibility mostly with the social partners, or the Nordic countries where a strongly centralised state-administrated social security system coexists with an unemployment insurance scheme run by the trade unions.

We can hypothesise that the extent of fragmentation will be positively related to the strength of coordination initiatives.

Problem pressure can be useful in making sense of some differences observed across European welfare states. For example, the absence of prominent coordination initiatives in the Italian case can be explained with reference to the fact that this country has not embraced the activation paradigm to the same extent as other western European countries (Samek Lodovici and Semenza 2008).

On the other hand, the degree of fragmentation of the social security system developed during the post-war years seems less relevant as a predictor of the salience of coordination initiatives. These have played a prominent role in the UK since the mid-1990s, yet in this country social security was very centralised from the early days of the welfare state. In countries with a more fragmented system, like Germany or Switzerland, coordination initiatives are adopted considerably later. This suggests that other factors are likely to be playing a more important role.

2. Institutional capabilities and veto points

Since the beginning of the 1990s, a growing body of new-institutionalist literature has stressed the importance of formal political institutions for explaining why some countries are able to adopt path-breaking policy reforms and other not when facing similar problems.

Advocates of this literature generally claim that different sets of political institutions shape the degree to which governments can impose their policy reforms or successfully adapt policies to a changing environment, i.e. what Weaver and Rockmann (1993) have labelled “the government capabilities”. The presence of veto points is a key element in this process. Veto points are places along the chain of decision-making where a policy reform can be blocked by a suitable coalition of actors (Immergut 1992a). Thus, it results that the government's ability to bring about policy change is more limited in veto point dense political systems than in political systems in which the decision-making power is concentrated in the hands of the executive branch of government.

The effect of formal political institutions is particularly obvious when comparing the UK with federal countries like Germany or Switzerland. Both types of countries show contrasting patterns of policy-making. In the UK, the first-past-the-post electoral system, the upper legislative chamber's symbolic powers as well as an unwritten constitution allows the government a considerable room for manoeuvre in policy-making. By contrast, in Germany, a two-party government coalition, bicameralism which gives the *Länder* a strong representation via the upper chamber (Bundesrat), as well as a system of competence delegation which divides the responsibility for certain policy areas between the federal state and the *Länder*, are all examples of veto points which limits the capacity of the federal state to impose major reforms (Lamping and Vergunst 2004; Clasen 2005). In Switzerland, the policy-making process is further complicated by an easy access to referendums that allows even small interest groups to oppose the adoption of a reform (Immergut 1992a; Bonoli 2000; Papadopoulos 2001).

These contrasting examples suggest that major policy reforms will be easier in the UK than in Germany or Switzerland, even though the impact of formal political institutions is also, to a great extent, conditional on other political factors, such as the electoral results or the position in the electoral cycle at the time of reform (Immergut 1992a; Bonoli 2000).

In the literature on welfare state development, a large number of studies have confirmed that political institutions is a important factor for explaining the divergent capacity of governments to successfully adapt social policies to changing economic and demographic contexts (Bonoli 2000; Huber and Stephens 2001; Swank 2001; Obinger *et al.* 2005; Streeck and Trampusch

2005; Starke 2008). Thus, we can assume that the way countries have responded to the fragmentation problem is also substantially marked by formal political institutions.

More specifically, we assume that countries with political systems providing few veto powers and where power is concentrated with the executive will be best able to adopt comprehensive coordination initiatives, when major inefficiencies associated with fragmentation are recognised. Conversely, veto point dense political systems will face much more difficulties to adequately solve the fragmentation problem.

In federal countries, the difficulties may be reinforced by the fact that responsibilities for some benefits or services are divided across the different tiers of government. Thus, we can expect any coordination initiative that implies shifts in the distribution of responsibilities to be subject to important oppositions in the policy-making process.

This hypothesis may be particularly relevant for explaining the more or less far-reaching character of coordination initiatives between the UK on the one hand, and Germany and Switzerland on the other. In contrast to the British Jobcentres Plus, the German version of Jobcentre (ArGe) failed to go beyond one one-stop-shop which co-locates two agencies. Switzerland, for its part, has so far only managed to put in place collaboration guidelines which keep the existing governance structure intact.

In the UK, the merging of the former Benefit Agency and Employment Service into one single agency for all working-age benefit claimants in 2001 was a process almost entirely led by the Blair government, which did not meet with any powerful opposition. Indeed, although being one of the most revolutionary elements among the set of the New Deal reforms launched between 2001 and 2002, the creation of the Jobcentres Plus was not challenged by any potential veto player.

In fact, the government's high degree of control over policy reforms was confirmed for all New Deal programmes introduced by the Blair government from 1997 to 2003 (Daguerre and Larsen 2003; Daguerre and Taylor-Gooby 2004). In the case of the creation of Jobcentre Plus, the government's supremacy was even reinforced by specific political circumstances. Indeed, the reform of Jobcentre Plus was announced in 2001 at a time when the Conservatives were not in the position to oppose any reform due to their second defeat in the 2001 general

election, their internal division for direction as well as a shared position about the desirability of welfare-to-work strategies (Daguerre and Larsen 2003). As a result, the Blair government's project to merge the two most important agencies did not face any powerful opposition.

By contrast, when examining the establishment of the Jobcentres (ArGe) in Germany, it clearly appears that political institutions have had a constraining effect on the initial proposal. Originally, it was recommended to create one single agency for all jobseekers which would have been under the full responsibility of the PES (Bundeagentur für Arbeit), notwithstanding the (financial) support of municipalities. However, such an organisation would have meant taking away responsibility from the municipalities, which enjoyed broad responsibilities in the field of social assistance up until then (Kemmerling and Bruttel 2006). Thus, the proposal was opposed in the Bundesrat which represents the *Länder* interests. The power struggle between the federal state and the *Länder* then resulted in a fairly complex structure, in which the local PES offices keep entire responsibility of recipients of the ALG I, and Jobcentres (ArGe) are jointly run by the local PES offices and municipalities and administer income support and employment-related services for recipients of the ALG II (Knuth 2008).

It is striking that the creation of Jobcentres for the long-term unemployed, which was interrelated with the integration of the unemployment assistance and social assistance benefits (ALG II), was actually much more marked by political compromises than the integration of the two benefits. This is surprising, since the new means-tested basic benefit for long-term unemployed (ALG II) represents a strong departure from the Conservative welfare state model. Apparently, the Bundesrat, at the time controlled by the opposition party (the Christian Democrats), has played a key role in this contradiction. Whereas the Christian Democrats vigorously opposed the government's proposal to take away responsibilities from the *Länder* and municipalities, they were not fundamentally opposed to an integration of the unemployment and social assistance schemes. Rather, the idea of creating a means-tested basic social security benefit for long-term unemployed enjoyed the consensus of both the government and opposition (Kemmerling and Bruttel 2006; Saalfeld 2006; Fleckenstein 2008).

Finally, the Swiss political institutions, and more specifically federalism which gives the Cantons the entire responsibility of social assistance, seem to block any attempt to adopt a far-reaching coordination initiative at the federal level. In Switzerland, social assistance is a key

pillar in the social security system for working-age people and any comprehensive coordination would have to incorporate it. And yet, such an initiative at the federal level is politically difficult to adopt due to the fact that the federal Constitution does not entitle the federal state to legislate on the matter. To do so, a modification of the Constitution is first required, which in turn necessarily implies a popular votation.

More generally, the veto power granted to the Cantons through the upper chamber of parliament (Council of States) as well as the possible use of referendums for opposed interest groups are likely to make any far-reaching coordination initiative complex and undermined by major compromises. In 2007, one ambitious parliamentary initiative propounded a complete overhaul of the Swiss social security system with a view of limiting problems related to the current fragmentation of the system. The proposal was rejected by a large majority in the first round of debates in the chamber of the National Council. Among others, arguments put forward highlighted the political complexity of such a reform and the high probability of policy failure. This example suggests that in Switzerland political institutions inhibit *ex ante* initiatives aiming at profoundly re-organising the system.

In sum, these three cases indicate that political institutions do have an influence on the scale of reforms adopted in all three countries. Whereas the British project was adopted without any major opposition, the German and Swiss cases show that formal political institutions have had a constraining effect on the political attempts to deal with the fragmentation problem. In particular, the power conferred to local governments by federal institutions makes the question of shifting responsibilities between different tiers of government especially sensitive to vetoes.

By contrast, an interpretation of coordination initiatives solely centred on political institutions seems ill-suited to account for the precise content of the reforms. In the UK, recognising the power granted to the government does not inform much about the essence of his reforms. Moreover, this approach fails to explain why in some countries characterised by a strong power concentration (like in France), hard forms of coordination initiatives did not take place until recently

3. Path dependence and single- vs. multi-actor systems

Besides the strand of literature centred on the role of formal political institutions, a second body of institutionalist literature seeks to explain the persistence of distinctive national welfare state trajectories by pointing to the structuring effects of previous institutional designs. In this regard, the concept of path dependence has become increasingly popular in the welfare state literature (Pierson 2000; Torfing 2001; Ebbinghaus 2005). The key idea is that decisions taken at an early stage of a policy will shape later decisions, by limiting the scope of policy options available to policy-makers. The process is characterised by a self-reinforcing sequence of events (or what economists have called increasing returns process). At each stage, the probability of reversals diminishes, because “the relative benefits of the current activity compared with other possible options increase over time.” (Pierson 2000: 252). As a result, once a country has started down a path, it becomes increasingly difficult and costly to completely depart from it.

In contrast to the theory of institutional capabilities, the path dependence approach sheds light on the limiting effect of previous institutional designs on the range of possible options of reforms. In our case, this means that not only formal political institutions, but the initial degree of fragmentation of social security systems is to be taken into account in order to better understand the type of coordination initiative that has been adopted in a country.

More precisely, two related dimensions of fragmentation may be of relevance: first, the general degree of fragmentation of the delivery of benefits and employment services. Here comes for instance the question whether the payment of unemployment benefits and employment services are delivered by a single agency or by two different agencies. Second, in line with arguments emphasising that path dependent processes result from asymmetrical power struggles between the winners and losers of a reform (Thelen 1999; Torfing 2001), the way in which responsibilities for the delivery of benefits and employment services were shared between the state and other actors is likely to produce path dependent effects. Here, a particular attention is paid to the administrative responsibilities given to social partners and local governments (or even more important: the states, *Länder* or *Cantons* in federal countries) in the delivery of benefits and employment.

However, the concept of path dependence has been strongly criticized for overemphasising policy stability and failing to account for the fundamental changes welfare states have undergone since the 1990s (Palier and Bonoli 1999; van Kersbergen 2000; Hacker 2002; Peters *et al.* 2005; Bonoli and Palier 2007). Consequently, the focus has turned to the questions of how welfare states do change and how it is possible to accommodate change with continuity (Wood 2001). In their entitled book “Beyond continuity”, Streeck and Thelen (2005) distinguish several modes of gradual transformative change that all originate from ambiguities and weaknesses of actual institutions. For instance, whereas change through “drift” (Hacker 2002) occurs when existing institutions are not adapted to changing environment, “layering” (Palier 2005) relates to a process in which the introduction of new programs at the margins of firmly established old ones progressively undermines them. All modes of change presented by Streeck and Thelen share the same basic principles: Even though they will imperceptibly lead to fundamental transformations in the long run, they all build on pre-existing institutions and proceed by an accumulation of gradual and incremental changes.

Those later developments inform us about how change can take place in the context of coordination initiatives. All modes of changes outlined by Streeck and Thelen (2005) are perhaps not best suited for our study since they highlight what kinds of small reforms may have disruptive effects in the long run. However, the basic idea that radical change is frequently the result of a “stepwise incremental process” (Clegg 2007: 611) is of particular interest. This suggests conceiving coordination initiatives as a succession of stages, with the first stage characterised by a highly fragmented governance structure and the subsequent ones moving towards more comprehensive coordination initiatives.

Thus, we can expect comprehensive coordination initiatives to be particularly difficult to achieve when the delivery of benefits and employment services in T-1 is highly fragmented and when non-state actors retain important responsibilities. For example, an outright merger of two agencies whose responsibility is allocated to two different actors may be quite complicated, as both actors will probably fight for retaining their governance role. In such a case, the merger will probably turn into a simple cooperation agreement, or a one-stop-shop in which both actors retain some responsibilities.

Conversely, if the delivery of benefits and employment services displays an already unified structure in T-1, and if the state is a principal provider of service, we can imagine that it might be much easier for policy-makers to undertake both encompassing and hard reforms.

To some extent, this hypothesis overlaps with the one concerning formal political institutions. Indeed, if we look at the path dependent approach through the lenses of the power granted to social partners and *Länder* (or Cantons), it is obvious that both actors also play a crucial role in the political debates on reforms of the welfare state. In fact, the channel of influence of social partners and local governments in coordination initiatives is twofold: first, political institutions allocate them a general political influence when it comes to social policies reforms and second, they exert an influence through their participation in the governance structure (Mosley *et al.* 1998).

However, we argue here that a path dependent approach, by focussing on the concrete role social partners and *Länder* play in the governance structure of social security systems, helps us better understand which types of coordination initiatives “become more attractive to political actors as they work within the constraints of a developmental path” (Hacker 2002: 54). Moreover, it also allows for better explain why in some countries with similar political institutions, substantially different coordination initiatives have been undertaken.

This is for instance the case of France and the UK. Both countries are well-known for their concentrated political power. However, empirical evidence shows that a comprehensive coordination initiative was much trickier in France than in the UK. The reasons can be found in the radically different social security systems for working-age people that both countries have developed.

It is fair to argue that the French social security system is a fairly complex arrangement. At the formal policy level, a wide range of benefits for working-age people co-exist besides the unemployment insurance benefit. At the operational level, social partners (UNEDIC) have always assumed a powerful role in the delivery and regulation of the unemployment insurance benefit, without there being any formal decision-making role for the state beyond validating (Clegg 2008). Thus, up to 2008, there was a clear-cut organisational division between the state-run public employment services (ANPE) and the social partners’ agencies which delivered not only the unemployment insurance benefit, but also the state-managed

unemployment assistance benefits. Though this separation had been perceived as increasingly problematic since the 1990s, the autonomy of the social partner-managed organisations did not allow more than weak cooperation agreements to be established. In 2008, the local PES agencies and local UNEDIC agencies were finally merged into one single agency. This merger can be characterised as a hard coordination reform. Yet, it did not completely reverse the previous system since social partners continue to regulate the unemployment insurance benefit independently.

By contrast, the unemployment protection system had already a much more centralised character before the introduction of Jobcentre Plus. It is first visible in its “de-differentiated structure of benefits” (Clegg 2008: 152), which has traditionally made little distinction between the unemployment benefit and social assistance. Second, neither social partners nor local governments have ever assumed important administrative role in the delivery of benefits and employment services. On the contrary, up to the creation of Jobcentres in 2002, both kinds of benefits as well as public employment services were administered by state-run agencies (Clasen 2005). Thus, the centralised character of the British governance structure may have facilitated the government's reform project in two ways. First, no more than the British political institutions did, the governance structure did not generate any strong opposition which could have blocked the reform. Second, the already centralised character of the governance structure made it doubtless less cumbersome for the government to set-up one single agency in charge of all working-age benefits and employment services.

In Germany, a path dependent approach may be also helpful for understanding why the Hartz IV reform has eventually given rise to a one-stop-shop agency. As already mentioned, the problem principally concerned the shift of municipalities' responsibilities. With the merging of unemployment and social assistance benefits, the question was raised whether to give the responsibility of this new benefit ALG II to the PES (which were previously responsible of the delivery of unemployment assistance) or municipalities (which administered social assistance). The initial suggestion that the PES take over the entire responsibility faces strong opposition from representatives of municipalities in the political debates. Even if the political arena was the primary locus where conflicts over the distribution of competences crystallised, the fact remains that the final governance structure, with PES as the only responsible agency for the unemployment insurance benefit (ALG I) and Jobcentres for ALG II run jointly by

PES and municipalities, has been strongly shaped by the prevailing governance structure before the Hartz reforms.

4. Policy diffusion, social learning and policy change

Since the 1990s, institutionalist researchers have increasingly paid attention to how ideas can facilitate policy change and are used by policy-makers as the basis for creating new policy tools and government agencies (Campbell 1998). In this respect, two different strands of literature can be distinguished, namely theories of policy diffusion and the social learning.

The diffusion of policy ideas

A large body of literature has emphasised mechanisms whereby policy ideas developed in a country are subsequently adopted by other ones, through a mechanism known as “policy diffusion” (Braun and Gilardi 2006). Theoretically, diffusion can be seen as a component of social learning. Countries facing a new problem are likely to turn to other ones who may already have tried different solutions to it as a source of inspiration. As a result, policy ideas that make their way into one system may subsequently be adopted by other ones.

Diffusion mechanisms have been documented in several areas of social policy making, such as pensions (Orenstein 2003) or active labour market policy (Armingeon 2007). In the latter field, several qualitative studies lend support to the policy diffusion hypothesis. They have shown that governments looking for new solutions to the unemployment problem have studied and learned from experiences done elsewhere. In Germany, the reorientation of unemployment policy decided in 2002 was adopted after having commissioned studies on and organised fact finding missions in countries like Denmark, The Netherlands and in the UK. Various elements of the new arrangement are clearly reminiscent of the UK approach to activation (Seeleib-Kaiser and Fleckenstein 2007). The UK, in turn, is said to have found its inspiration in the US Clinton reforms of the early 1990s. Other studies have emphasised the role played by international agencies such as the OECD and the EU, who since the mid-1990s have clearly promoted a reorientation of unemployment policy in the direction of activation (Armingeon and Beyeler 2004; Armingeon 2007).

In relation to coordination initiatives, Clasen *et al.* (2001) have noted that tools like “one stop shops” developed quite rapidly across the English speaking world (US, UK, Australia) and

took considerably longer to make their way into debates in continental European countries. More recently, it has been demonstrated that the one-stop-shops introduced in Germany and Denmark were explicitly modelled on the British “Jobcentre Plus” (Seeleib-Kaiser and Fleckenstein 2007; Carstensen and M. 2008). This observation supports the policy diffusion hypothesis in the field of coordination initiatives. On the other hand, in Switzerland, a non EU member where the social policy making community is rather sheltered from foreign influence, fragmentation is recognised as a problem in the early 2000s and coordination initiatives are adopted without much knowledge of experiences made elsewhere.

The social learning approach

In the social learning approach, ideas are equally central to policy-making. However, whereas the policy transfer approach tends to associate changes with the adoption of foreign solutions, the social learning approach generally holds “that states can learn from their experiences and that they can modify their present actions on the basis of their interpretation of how previous actions have [succeeded] in the past.” (Bennett and Howlett 1992: 276). Through the process of social learning, existing policies alter the perceptions of policy-makers in such a way that they become more open to the adoption of new policies (Béland 2006).

Hall's work (1993) on the shift in British economy policy from Keynesianism to monetarism gives valuable insights into the social learning approach. First, Hall considers ideas as an interpretative framework within which policy-makers evolve. This framework, which he labels as a “policy paradigm”, structures the goals a policy should pursue and the kind of instruments that can be used to attain them. In this regard, a major policy change is likely to be marked by radical changes in policy discourse associated with a “paradigm shift”.

In Hall's view, a paradigm shift is likely to happen through a process of social learning, whereby policy experimentation and policy failures play an important role. This process is one of a trial-and error. When a given policy begins to show first evidence of weaknesses with regard to its adaptation to a changing environmental context, policy-makers will first turn towards what they know and thus look for solutions within the current policy paradigm. However, as these first solutions involve moderate changes (typically a change in settings), they are likely to be ineffective in coping with the changing context. They will then turn to policy failures, which discredit the prevailing policy paradigm. This however makes it possible for policy-makers to turn to more radical policy experimentations and adopt a new

policy paradigm. From this perspective, policy failure serves as a trigger for a search for new solutions. It thus creates the basis for radical policy changes.

The kind of policy experience Hall's analysis refers to is one of a trial-and error. Lessons from trial-and-error are certainly the most common and most basic kind of experience. They refer to non-planned searching for new feasible policy solutions, which is based on new understandings of problems and objectives (May 1992). They are however not the only kind of policy experiences that may induce social learning. Policy experiments, pilot projects and evaluations, if they have always existed, play to date an increasing role in generating knowledge on policy and thereby bringing about policy change (Sanderson 2002).

Processes of social learning do not systematically lead to policy change. As rightly noted by Sabatier and Jenkins-Smith (1993; 1998), it may happen that, even if knowledge for improving policies exists, political or economic constraints are such that policy-makers are not in the position to transform such knowledge into effective policy reforms.

However, in spite of this limitation, the social learning approach may prove fruitful for understanding why some substantial reforms have been possible in some countries primarily marked by strong resistances. Drawing on Hall's work, Cox (2001) demonstrates that the generalisation of active labour market policies in the Netherlands and Denmark has been marked by social learning processes. For instance, he shows how in Denmark, local successful experiences in the field of activation allow for a progressive general acceptance of activation at the national level.

Translating these arguments in terms of coordination initiatives, we can expect governments to first deal with the fragmentation problem with measures that are initially as similar as possible to existing practice. Only when (and if) these fail, do they turn to more innovative solutions and profound changes.

Timo Fleckenstein and colleagues' analysis (Seeleib-Kaiser and Fleckenstein 2007; Fleckenstein 2008) of the German Hartz IV reform tends to confirm the relevance of this hypothesis for Germany. He demonstrates that the adoption of a pilot project (the so-called Mozart scheme), which aimed at promoting cooperation between the local PES and social assistance offices, was a necessary step towards the integration of unemployment assistance

and social assistance into one single benefit and the adoption of a one-stop-shop agency. Even though problems and inefficiencies resulting from the institutional separation of unemployment assistance and social assistance were well-recognised, integrating the two benefit systems was considered by the first Government Schröder as politically dangerous in the prospect of a re-election. For this reason, the more cautious approach of the Mozart pilot projects was preferred at the time. “The Mozart pilot projects not only offered a convenient way of delaying legislation, they also provided the chance for gathering valuable information on the opportunities and limits of cooperation. » (Fleckenstein 2008: 183).

From a policy-making point of view, the results from the pilot projects helped generate a new consensus among policy experts about the necessity of a comprehensive reform prior to the Hartz Commission and political debates. In addition, the Mozart project had also the advantage to provide policy-makers with a delay before having to present more radical reforms. Thus, a social learning approach can serve also more pragmatic purposes, and take the form of a “fake” social learning process. Notwithstanding, it remains that social learning was decisive for the rapidity and the rather path-breaking character of the Hartz IV reform. However, as Fleckenstein acknowledges, it solely cannot explain its very final arrangement. To that end, it is necessary to set social learning back in the wider political context of Germany at the time of the reform process.

In the UK, it similarly appears that the decision to fully integrate the delivery of benefits and employment services did not come out of nowhere. In fact, a social learning process has also taken place in the decision to set-up Jobcentres Plus. In contrast to what could have been expected, when the New Labour was confronted to the problem of the institutional separation of the BA and ES when carrying out its welfare-to-work reforms in the late 1990s, the outright merger of both agencies was not its first response. On the contrary, policy-makers first chose to embark on a smoother reform with the ONE pilot programmes, which co-located both agencies and some part of local governments in the single building. It is only after problems proved to be unsolved within the cooperative framework that policy-makers decide to move on to a more radical reform (James 2004; Wiggan 2007). Thus, and in spite of studies showing that the setting-up of Jobcentres Plus in Britain was the result of a policy transfer from the USA (Daguerre and Taylor-Gooby 2004), we can reasonably think that the current governance structure would not have been what it is without social learning.

Finally, in contrast to the “positive” effects of social learning in the German and British cases, Switzerland provides a good example of the constraining effect of political institutions on the transformation of social learning into policy change. Indeed, the current coordination initiative in Switzerland, which takes the form of collaboration guidelines between public employment services, social welfare offices and incapacity benefit agencies, has been conceived as a pilot project that is running until 2010. However, given the sharp constraints of the federalist division of responsibilities and the threat of the referendum, it is not certain that it will give rise to a more comprehensive reform.

Conclusion

Coordination initiatives are a central aspect of the current process of welfare state transformation. Coordination and integration have been on the reform agenda of many welfare states of Western Europe. Yet the theories developed by social policy analysis over the years are only partially suitable to this new field of study. First, most welfare state theory refers to policies and policy changes that impact on mass publics. This feature is behind most of the political and institutional explanation of both welfare state expansion and retrenchment. The main obstacle to reform here is mass public resistance against losses (Pierson 1994).

Coordination initiatives, in contrast, are more obscure reforms, and are likely to go unnoticed for a majority of voters. As a result, electoral dynamics are unlikely to play an important role. On the other hand, institutional stickiness, bureaucratic inertia, and special interests are likely to be the main obstacles to reform. As a result, theories of social policy making need to be adapted to this aspect of welfare state transformation. In this paper, we hope to have contributed to this endeavour.

In this paper, we have sought to show that a specific type of coordination initiative is not the result of one single determinant, but rather a conjunction of factors affecting the greater or lesser capacity of policy-making systems to deal with the fragmentation problem of social security systems. Analysing how different effects intersect is paramount for capturing the essence of the diversity of coordination initiatives in western European countries. Though it is true that such an approach quickly runs into the “too many variables-small N problem”, it may be a useful basis for guiding the empirical search for factors at work.

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