Towards an Open Functional Approach to Welfare State Change: Pressures, Ideas, and Blame Avoidance

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Abstract

Why are some governments able to push through radical welfare state reforms while others, operating in similar circumstances, are not? Why are some ideas more acceptable than others? We present an open functional approach to reform to answer these questions and illustrate it empirically by discussing the drastic reform of the Dutch disability scheme in the early 1990s. Ideas translate a functional pressure that existentially threatens a social insurance system into a drastic welfare state reform, such as a severe tightening of eligibility criteria. Functional requirements constrain the range of ideas that political actors can consider for welfare state reform, although they do not determine which ideas are adopted. But once adopted, ideas influence the reforms pursued. A government’s choice of ideas and the political strategies to implement them determine the success or failure of the reform. Blame avoidance strategies mediate vitally between the functional pressure, the idea and the reform.

Key words

Welfare state reform; Blame avoidance; Ideas; Functional reasoning
1. Introduction

Welfare state reform occurs in all advanced capitalist democracies, but not everywhere to the same extent and degree, in identical ways and with similar consequences. In some welfare states, such as in some of the Bismarckian countries (Palier 2010) or in Denmark (Larsen and Andersen 2009), social policy adjustments have been radical and path-forming (Hay 2011) by breaking with habitual courses of development and by taking ground-breaking directions. In other cases, reform has been smaller, slower, derivative and very often incomplete, in short path-dependent, such as in most other countries of the Bismarckian regime. There are also many instances of policy drift which occur as a consequence of the deliberate choice not to act, a phenomenon particularly prevalent in the United States (Hacker and Pierson 2010). Interestingly, in some cases welfare state reform is accompanied by deep social conflicts and harsh political struggles, while in other cases reform seems a smooth and balanced process of policy learning (for reviews see Starke 2006; Palier 2010). What explains these differences?

We draw on the recent ideational and constructivist literature (e.g. Blyth 2002; Schmidt 2008, 2011; Hay 2011; Stiller 2010; Wincott 2011) to argue that ideas are a central factor explaining the variation in welfare state reform. However, we take issue with that part of this growing body of research that argues or implies that ideas are the key causal factor. We propose an open functional approach (see Becker 2009) to welfare state reform that recognizes the independent causal effect of ideas on policy change, but preserves the notion that the context of political action constrains which ideas matter and how. We adopt and build on important insights from mainstream comparative welfare state research in which structural factors or problem pressure play a role, particularly: 1) the challenges-capabilities-vulnerabilities (CCV) approach advanced in the contributions to the seminal Scharpf and Schmidt (2000) volumes; and 2) the policy learning (PL) approach, originally proposed by Hall (1993), but further developed in Visser and Hemerijck (1997, chapter 3), Hemerijck and Schludi (2000) and Hemerijck 2012.
In sharp contrast to the constructivist approaches and more explicitly formulated than in CCV and PL, our first argument is that the existing “objective” problem pressure influences the range of ideas that political actors consider. Pressures are “objective” to the extent that they threaten the existential conditions of material survival of a system (see further below). The “objective” pressure tends to facilitate the adoption of certain ideas and the neglect or abandonment of others. These ideas, in turn, affect the type of reform that political actors pursue. Different ideas may thus lead to different reform proposals, but not all ideas are feasible. While political preferences, normative ideas and world culture also affect which ideas are on actors’ minds (see Campbell 2002, pp. 22-6), the objective problem pressure is key here.

Moreover, and this is our second claim, whether a radical reform can be implemented or not hinges on the extent to which governments are capable of circumventing the social and political resistance against the reform. One important way of achieving this is via blame avoidance strategies (e.g. Pierson 1994, see Hood 2011), like finding a scapegoat to blame for the measures taken. Another would be to invoke a crisis imperative (Kuipers 2006) to make the blame avoiding case that, no matter which party or government rules, the reform will have to take place (see Vis and Van Kersbergen 2007). Blame avoidance strategies are politically needed because welfare state reform is typically and generally an unpopular endeavour that is likely to cost the governing party or parties votes (Boeri et al. 2001; Brooks and Manza 2006). While there are more mechanisms between “objective” pressures and reforms, we argue that blame avoidance is a particularly important one for radical reform.

The paper is structured as follows. We first show that the literature on the role of ideas has much to offer, but that it also suffers from some weaknesses. We take issue with the assumption that ideas by themselves are capable of provoking action and with the contention that interests have no separate analytical status. Next, we elaborate the role of ideas in our open functional account. By stressing the analytical weight of the context and of objective interests, we highlight the difference with constructivist approaches and explain how our approach solves some of this literature’s weaknesses. Subsequently, we hold that blame
avoidance strategies are helpful for explaining welfare state reform in the context of “objective” pressures, because such strategies moderate between an idea and a reform. In this theoretically-oriented paper, we cannot offer but an illustration of how the identification of a functional requirement, a specific idea and blame avoidance strategies can be taken to explain a drastic social policy reform, in our case the restructuring of the disability scheme in the Netherlands.

The final section concludes that ideas as causal beliefs are important for explaining welfare state reform, but that they can only assume this explanatory role if one recognizes that functional requirements are “objective” constraints on the behaviour of political actors and their ideas. Such constraints, as Giddens (e.g. 1984: 179) would put it, not only limit, but also enable action, as a result of which ‘all explanations will involve (...) reference both to the purposive, reasoning behaviour of agents and to its intersection with constraining and enabling features of the social and material contexts of that behaviour’.

2. The influence of ideas: how to establish causality?

Recently, we have seen an ideational turn (Blyth 2002) in political science in general and comparative welfare state research in particular (for overviews, see e.g. Campbell 2002; Béland 2005; Taylor-Gooby 2005; Schmidt 2002, 2008; Béland and Cox 2011). We are not convinced about the explanatory potential of the ideational approaches because they tend to suffer from a kind of post hoc ergo propter hoc justification. To put it briefly, and admittedly not doing full justice to the quality and richness of many of these studies, the (implied) argument is very often that when reform takes place, ideas or discourse have been, at least partly, responsible. If a reform-attempt fails, conversely, the correct ideas and discourses have not been employed properly. Such analyses leave unexplained why some policy makers act on a specific idea and discourse while others do not. Moreover, it remains unclear whether such an approach is capable of discovering and explaining policy drift, which is the result of a deliberate choice not to act, in the awareness of failing policy and the presence of
ideas how to remedy the defect. Also, why do some ideas and discourses succeed while others fail? For example, Schmidt (2008, p. 313) suggests that ‘discourses succeed when speakers address their remarks to the right audiences (specialized or general publics) at the right times in the right ways’. But how to establish what are the right audience, the right time, and the right way? In addition, Schmidt’s (2008, 2011) discursive approach, like ideational approaches more generally, is silent about the type of reforms, such as unpopular versus well-liked reforms, and the various strategies used to implement reforms, like blame avoidance.

Similarly, Cox (2001) posits that focusing on the social construction of the need for reform helps to explain why welfare state reform has happened in the Netherlands and Denmark, but not in Germany. The argument is that the Dutch and Danish leaders, but not the German ones, were able to construct a new discourse by carefully framing issues. In Schmidt’s terminology, the former used a communicative discourse – with success. Cox’ argument can help to explain the diverging reform experiences in the 1990s, but leaves unanswered important questions. For instance, why were the German leaders not able to construct a new discourse, while the Danish and Dutch ones were? Were they facing similar pressures in comparable contexts? We would need to establish this before we can estimate what role ideas factually play.

Instead of opting for the wider notion of discourse or one of the other existing definitions of ideas (see e.g. Schmidt 2008, p. 306; Carstensen 2010), we adopt the definition of ideas as causal beliefs (Goldstein and Keohane 1993; Béland and Cox 2011, pp. 3-4). The definition consists of several components. First, ideas are products of our cognition, hence beliefs. Second, ideas connect things and people in the world, hence causal belief. Here causality can either refer to an actual connection between two events or to an assumed connection, i.e. a connection an individual believes to be present. Finally, a causal belief – or idea – makes individuals act by suggesting how to address challenges or problems. This does not mean, however, that causal beliefs tell us which solution is needed. Note that this definition of ideas allows these to both be cognitive ideas, which could be based on failure
induced learning (but not necessarily so), and normative ideas, based on learning before failure takes place.

We dispute that ideas by themselves create the incentives for action and that interests have no separate analytical status. Hay (2011), for instance, solves the problem of the relationship between material interests and behaviour by arguing that only constructions of interests exist. But can ideas on their own produce an outcome, such as a reform? Does the context, of which material interests are a part, not influence the range of ideas that may affect outcomes? We would rather stress that the challenge or problem that an individual faces offers the starting point for action. This might also help to solve the puzzle that not ‘(…)... all holders of alternative political ideas act on them’ (Lieberman 2002, p. 698). The context matters crucially. What the constructivist, ideational literature needs, is a theory of the point of reference of ideas (what are they about?) as well as a better elaboration of the mechanisms through which different types of ideas affect policy making (Campbell 2002; Mehta 2011).

Some recent work tries to solve the theoretical lacunae identified above. Stiller’s (2010) study of the role of ideational leadership in German welfare state reforms, for instance, combines ideational factors and political agency into a single explanatory concept: ideational leadership (see also Schmidt 2008, p. 309ff.). An ideational leader is motivated towards policy rather than power and displays four communicative or behavioural traits. First, the leader exposes the drawbacks of the policy status quo. Second, the leader makes consistent efforts to legitimize the principles of the new policy. Third, the leader confronts opponents by suggesting that their resistance is problematic. And finally, the leader tries to build political consensus to gain support for the proposed reform. The major contribution of Stiller’s work is that it presents a mechanism between an actor’s idea and the implementation of a reform, which opens the black box in, for instance, Schmidt’s account. However, Stiller has little to say about where ideas come from and does not develop an account of their cognitive and normative content.

Jacobs (2009) offers a theory of social policy reform that is based on mental models and attention. The strong point is that he explains how pre-existing ideas influence the
decisions of reform-motivated decision-makers. A study of three key episodes in German pension politics from the 1880s to the 1950s demonstrates that ideas direct actors’ attention to specific options. Specifically, an actor’s mental model, i.e. ‘a simplified representation of a domain or situation with moving parts that allow reasoning about cause and effect’ (Jacobs 2009, p. 257), directs an actor’s attention towards certain causal logics and away from others. For example, in the mid-1880s under Bismarck, when Germany was the first country to erect a pension scheme, decision-makers operated under a so-called insurance mental model. With this mental model in place, even the actors opposed to the system of funding proposed by the legislators did not refer to potential dangers outside this dominant way of thinking, such as inflationary pressures (Jacobs 2009, p. 266). Ideas come to shape actors’ preferences among options, with those options fitting the mental model weighing more heavily and those outside the mental model being discounted or even ignored altogether – as in the Bismarck example. Jacobs’ approach is also silent on the point of reference and has an obvious difficulty in identifying and analytically establishing the relevant mental model.

Blyth (2002) argues that the Social Democrats in Sweden had clear political ideas in the 1920s, but no economic ideas. Since there were no alternatives to classical economics yet (in the words of Jacobs: no alternative mental model), Social Democrats behaved like conservatives when in power. By the end of the 1920s, new economic ideas had developed within the Social Democratic party that could act as the “weapons” by which classical economics could be challenged (Blyth 2002, p. 101ff.). Blyth’s analysis makes clear that individual politicians are crucially important for new ideas to gain ground, combined with supportive socio-economic circumstances, such as high unemployment despite the recovery in exports in the mid-1920s. For Blyth (2002, p. 270), ‘it is only in those moments when uncertainty abounds [that is so-called Knightian uncertainty in which agents’ interests are structurally underdetermined by nature] and institutions fail that ideas have this truly transformative effect on interests’. Blyth, in other words, offers an elaboration of the point of reference, but does not connect the idea to an outcome.

Schmidt (2008, 2011) proposes a new type of institutionalism: discursive
institutionalism (DI). DI treats institutions simultaneously ‘as given (as the context within which agents think, speak, and act) and as contingent (as the results of agents’ thoughts, words, and actions)’ (Schmidt 2008, p. 314). This focus makes institutions internal to the actors and there is no such thing as an objective interest, because ‘(...) one cannot distinguish objective interests from ideas; all interests are ideas, ideas constitute interests, so all interests are subjective’ (p. 317). This, however, does not mean that there is also no such thing as a material reality. A material reality exists as the setting within which, or as a response to which, actors can consider their interests (p. 320).

It is precisely on this point that Hay (2011) criticizes the institutionalist constructivists for their ontological inconsistency. To concede to the possibility of a materialist conception of an actor’s interest that is determined by the actor’s context is ‘to deny the agency, autonomy, individuality, and identity of the agent. It is to reduce the agent to the status of a mere bearer, rather than a shaper, of systemic logics’ (p.79). Hay advises that constructivists dispense altogether with the concept of material self-interests and, by implication, with the notion that an actor’s context also consists of material constraints and objective interests (p. 79). In our view, Hay’s proposal seems an overly radical, and therefore unnecessary, ontological inference from the presumption that ideas as causal beliefs matter for behaviour.

3. Open Functional Approach: The importance of context and objective interests

In line with the work of, among others, Scharpf and Schmidt (2000), Pierson (2001) and Esping-Andersen (2002), our approach starts from the conviction that all welfare states face internal and external challenges that require policy adjustments and reforms. This holds irrespective of whether actors perceive these challenges as such or not, because welfare states’ continuation depends on their reform. The exogenous challenges primarily concern increasing economic internationalization and (financial) interdependence, which force policy makers to react continuously to new facts and which are, strictly speaking, outside their domain of influence. The endogenous changes concern population ageing and declining
fertility, sluggish economic growth, mass unemployment, changing family structures and
gender roles (e.g. atypical families, lone parents), the transformation of life cycle patterns
(e.g. longer education, later child-birth, increasing divorce rates), the shift towards a post-
industrial labour market (e.g. no steady life-time jobs, increasing female labour force
participation), and the transformation of traditional systems of interest intermediation and
collective bargaining.

Welfare state adjustment has been portrayed as a trial and error process of policy
learning to respond to such challenges (Hemerijck and Schludi 2000; Casey and Gold 2005;
Fleckenstein 2008). This literature stresses that past policy profiles, initial policy responses
to external shocks, policy learning in the wake of policy fiasco’s, and coordination capabilities
determine the type of policy ideas and learning that can occur and the conditions of their
successful adoption and application (Hemerijck and Schludi 2000: 129). The policy learning
approach is exceptionally well equipped to map reform processes. The main shortcoming we
see is that there is too little theoretical foothold to answer the question when learning occurs
and under which conditions policy drift is likely. Why are some countries often considered to
be good learners (such as Denmark and the Netherlands), whilst other countries are usually
viewed as poor ones? Why are experts in some countries in some periods excellent policy
learners but not in other periods? Why do some actors not act, even it can be shown that they
have learned from past mistakes and are aware of likely future adversity?

We argue that exogenous and endogenous challenges appear as functional demands
for policy change insofar as they jeopardize the existence of systems of social protection by
debilitating the degree to which the various components of the systems are functionally
integrated. This deteriorates what Becker (2009), following Demerath III (1966), calls the
level of “systemness” of a configuration. For example, a crisis of some sort may cause social
insurance contributions to become insufficient to cover the demand for benefits. Or an
insurance’s eligibility rules may prove to be formulated in such an indistinct manner that –
under stress – they fail to discriminate between just and unjust (in the light of the original
reference frame of the scheme) claimants, leading to excessive demand. Also, failing demand
in one social insurance or provision may spill over and increase demand elsewhere in the
system, causing a further decline in the functionality among parts of the wider social system.

Under such conditions, policy-makers either learn how to respond adequately or fail
to do so, either because they are unaware of the functional demand or wish to produce drift
by not acting, including blocking reforms. In other words, in line with the policy learning
approach, but in sharp contrast with recent developments in the constructivist literature (see
Hay 2011), we hold that there exist certain requirements pushing for reform that logically, for
reasons of system continuity and integration, need to be fulfilled – they are functional
requirements. However, to avoid lapsing into functionalist rather than our functional
reasoning, we haste to add that one cannot jump from functional demands to adequate
functional responses, because fulfilment of needs or requirements is never automatic nor
otherwise guaranteed. Policy drift is a distinct possibility, but in the case of functional
demands will ultimately reinforce the existential threat to the system of social protection.

This open functional reasoning helps to construct a causal account of social policy
developments by, first of all, specifying the point of reference or a reference frame, which
consists of more than one reference point (Becker 2009, p. 24). The reference point
establishes for what a reform is functional or to what demand or requirement a reform reacts.
Becker makes the useful distinction between the existential and politically contested
dimensions of reference frames. Some goals of system-like configurations are existential,
because they are conditions of material survival. To the extent that such goals have to be met
for reasons of survival ‘existential reference points could also be called objective’ (Becker
2009, p. 25); they do not depend on political preferences. Political goals of a system-like
configuration, by contrast, ‘do not necessarily have to be accomplished and could therefore
be called “subjective”’ (Becker 2009, p. 25). In other words, “objective” problem pressures
constitute functional demands for reform to the extent that non-functional responses cause
system defects in the sense described above.

Surely, systems – albeit to varying degrees – always have flaws and therefore the
question when exactly these become functional pressures remains debatable, hence the
inverted commas for “objective”. Granted, then, that it is difficult to establish, ultimately the
point of reference in a functional argument is the well-functioning (a functional level of
“systemness”) or continuation of the system. If the working or continuation of the system is
threatened, the demands for action that follow from it can be understood as functional
demands. Second, a causal account of social policy developments is crafted by specifying the
mechanism bringing about the reform. Functionalist explanations are unacceptable not only
because they assume that requirements will always be met, but also because they typically fail
to provide a causal mechanism in the case a demand is actually met. Conversely, a functional
reasoning that is open is useful because globalization, ageing, financial crises, mass
unemployment, et cetera entail functional pressures and requirements to which political
actors must respond. This is not to say that such actors will always respond in a functional
manner, because pressure to change does not tell us which change is required. But the
message of the functional pressure is that to continue as before is impossible.

Our reasoning is open and non-functionalist, then, in that we do not assume that
political actors always will react or that their responses are necessarily functional in that they
succeed in reaching an intended goal (e.g. in increasing labour participation rates) that is
functional to the system. Hence, similar pressures do not automatically lead to identical
responses in the various worlds of welfare (cf. Scharpf and Schmidt 2000), nor do they
unavoidably break-up path dependent developments. Pressures can be dealt with in various
ways, effectively and futile or, in fact, not dealt with at all, whether as a result of a conscious
decision or not. An open functional approach to policy reform, then, prescribes that we need
to provide the functional point of reference and an account of the causal mechanisms
producing (or not) the functional response.

We favour an approach to explain under what conditions – the functional
requirements – and how – through which causal mechanisms – specific welfare state reform
takes place (or not) that is functional (or not). And in this approach we think ideas as causal
beliefs (Goldstein and Keohane 1993; Béland and Cox 2011) should play a prominent role,
because ideas provide a key link or mechanism between the functional demand and the
action, such as policy change. Relevant for the solution to the mechanism problem is policy learning, a mechanism mediating between pressures and outcomes. In the definition of Hall (1993, p. 278), policy (or social) learning is ‘a deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information. Learning is indicated when policy changes as the result of such a process’. Obviously, ideas are the key to learning and they particularly tailor to how policymakers “puzzle” over problems. However, neither ideas nor learning on their own are capable of explaining success or failure of reform because this is much more a matter of how actors “power” over problems (Hemerijck and Schludi 2000). Political actors need strategies to implement ideas in the light of potential resistance, especially in cases of radical reform. So, we bring in blame avoidance strategies here to establish an analytical link between ideas and learning on the one hand, and the struggle for radical reform on the other.

The point where our open functional approach differs most from the constructivist approaches concerns how we look at the context in which ideas assume their status as causal beliefs. In fact, we disagree with Schmidt and Hay who equate interests and ideas. Schmidt’s conclusion that all interests are subjective does not follow from the theses that all interests are ideas and that ideas constitute interests. Hay’s plea for the abolition of the notion of material interests is not only unnecessary, but also seems unproductive for the analysis of the role of ideas in welfare state reform.

We would rather allow for the possibility that some interests constituted by the ideas of some actors appear not as ideas, but as “objective”, material constraints in the context in which other actors find themselves. The context of political action consists partly of a constellation of interests. Constructivists hold that interests are historical, social, and political constructions and we agree. And, as Schmidt argues, ideas constitute interests. However, this does not imply that, once constructed, such interests are contingent in the sense that they can be changed and reconstructed as one sees fit according to some idea. Once constructed and embedded in the context, interests are transmutable only within limits, namely the limits set by the other interests that form part of the same context. This is what
makes interests appear as “objective” interests within the context or at least as limits to the room to manoeuvre for some actors. A particular context constrains and enables the political behavioural options more for some actors than for others. Some material forces in the social world, and ideationally constructed interests functioning as such, make themselves feel no matter how they are interpreted or socially constructed. In this sense, we do not adopt the ontological position that the social world is constructed if this is taken to imply that ideas only determine social reality.

We build on the challenges-capabilities-vulnerabilities approach (Scharpf and Schmidt 2000) and the policy learning approach (Hall 1993, see Visser and Hemerijck 1997: chapter 3; Hemerijck and Schludi 2000) and propose that exogenous and endogenous pressures generate this context. The context is strategically selective because ‘it favours certain strategies over others as means to realise a given set of intentions or preferences’ (Hay 2002, p. 129). Although outcomes are not determined, some outcomes are more likely than others. Ideas operate as the main inspiration for strategic action within the “objective” context. For example, ideas do not construct the functional requisites of capitalism. Social order, efficiency, profitability, and competitiveness are system requirements without which the system would collapse, or at least the level of integration of the system (“systemness”) would decline (Becker 2009, p. 27). These requirements are contestable in that political actors may normatively oppose them. However, while a communist is against goals like profitability, that does not mean that he or she would contest that this is a system requirement for capitalism – the system that he or she rejects. The bottom line is that even though political actors may oppose the functional requirements of a system such as capitalism or the system of social security, these requirements are the “objective” requirements to which some policies are less and others more functional responses. When these functional requirements are not met, or no longer met, the system is put under strain and its goal attainment is in danger. We therefore label these “objective” pressures for change and they are the reference frame in our functional reasoning.

Where ideas as causal beliefs matter, is in determining the reference frame, political
strategies and policies to realize or adjust to these functional requirements. We agree that outcomes are strategically selected, as for instance in the case of the political economy of globalization. As Hay (2002, p. 130) puts it:

Given near-universal perceptions amongst policy-making elites of the increased mobility of capital, it is unlikely (...) that liberal-democratic states will increase the tax burden on corporations (...). Heightened capital mobility (...) makes credible previously implausible capital exit strategies. Consequently, states which wish to retain their revenue base will find themselves having to internalise the preference of capital for lower rates of taxation and more deregulated (“flexible”) labour markets (...).

In Hay’s formulation, it seems that politicians’ room to manoeuvre is solely determined by their perception that capital has become more mobile and their belief that they have to give in to corporate demands. Our point would be that capital’s mobility appears as an objective actuality with which to reckon, because disregarding this fact has immediate consequences of an existential nature. This observation, however, does not imply that lowering corporate taxes is the only policy option. In fact, empirical evidence indicates that governments have other, perhaps better, options available, such as public investment strategies in material infrastructure (say roads or glass fibre telecommunication) and cognitive infrastructure (say education). But what it does imply, however, is that governments, although they have several options, must work in the contextually given presence of a real exit threat of mobile capital. This social fact of the context has to be taken into account, although the context does not determine how this will or must be done.

So, some contextual elements appear as objective pressure to act. How and why politicians perceive which acts are functional and which are not is an open question. Or as Larsen and Andersen (2009, p. 243) state ‘what is perceived as “necessary” depends very much on the diagnoses of the problems and on the concomitant cause-effect beliefs of actors’. But we think that, for instance, the political economy of globalization demands adjustment and reform policies that are usually difficult to turn into electoral assets, if only because they
call for a change of the status quo of welfare state related established social rights and conventions. Policy ideas, too, can be identified to be well-adapted or ill-adapted to the functional demands that appear as “objective” pressures. For instance, some social policy reforms may not correspond very well to the demands of voter groups, which would perceive such reforms as contra their interests based on their interpretation of the world.

Consequently, reform-oriented politicians are confronted with an objective constraint on their behavioural options to which they must react. One reaction could be to ignore the fact, in which case the consequences will probably be felt at the next election. If they choose to go ahead with an unpopular measure, while recognizing the potential electoral retribution, they have an incentive to seek ways to avoid electoral punishment. Knowing, or assuming to know, that a reform may have negative electoral repercussions, a political actor whose idea would require pursuing a reform may want to turn to a blame avoidance strategy. This makes blame avoidance strategies moderating variables between ideas and reform in our approach.

4. Blame avoidance and ideas

How do some governments in some countries and in some periods of time implement unpopular and risky reform without losing votes, while others do not? Stated differently, how do they ‘do things to voters and get away with it’? One of the central explanations in the literature for the absence of electoral repercussions for governments pursuing unpopular reform is the success of these governments’ so-called blame avoidance strategies (Pierson 1994, see Hood 2011). Originally, the theory of blame avoidance, which can be traced back to Downs’ (1957) theory of electoral competition, has had a clear focus on explaining why governments have a strong incentive to refrain from pursuing policies that are unpopular among voters. In this account, governments avoid blame primarily by not implementing unpopular measures in the first place, which explains the absence of unpopular reform.

However, the theory of blame avoidance can be adapted to account also for how governments
can get away with unpopular initiatives, i.e. to account for the presence of unpopular reform (cf. Vis and Van Kersbergen 2007).

Illustrating our argument: The Dutch disability crisis of the 1990s

Here we wish to illustrate the value of our open functional approach that links an objective problem pressure to reform, an idea and blame avoidance strategies. We take as our example the early 1990s reform of the Dutch disability insurance scheme (WAO, Wet op de Arbeidsongeschiktheidverzekering), because this case illustrates the value of our approach well. It is not our goal to offer a new or better explanation of this reform (for excellent studies see Visser and Hemerijck 1997; Green-Pedersen 2002; Kuipers 2006). Our aim is more modest: illustrating our open functional approach.

The objective problem pressure or functional requirement is our point of departure. The social insurance of 1968 covered the risk of disability and was meant to provide benefits for, initially, a maximum of 155,000, and later, after an extension, a maximum of 285,000 people. Expenditure for the scheme hovered between 3.5 and more than 4 per cent of GDP. The number of disabled persons as a percentage of all insured persons exploded, from 6.1 per cent in 1975 to 11.4 per cent in 1990. Because the number of insured persons also increased in this period, the trend in absolute number was even more alarming. By 1990, almost 900,000 people received a benefit out of a labour force of 6 million. Without action, the scheme would quickly absorb a million people (Van Gestel et al. 2009, p. 76; Adviescommissie Arbeidsongeschiktheid 2001, p. 24; SCP 2001, Table B2.1; Kuipers 2006, p. 150), i.e. three and a half times the scheme’s capacity.

This massive influx of benefits recipients existentially threatened the insurance to the extent that not reforming radically the institutional rules of the scheme (e.g. by tightening the eligibility criteria and improving prevention and reintegration) would indubitably have caused the collapse of the scheme. Moreover, the malfunctioning of the disability scheme contributed strongly to the vicious circle of “welfare without work” and other negative
spillovers. High wages force entrepreneurs to seek labour saving techniques that increase productivity. This leads to a round of shedding of less productive labour to save costs, which, in turn, increases social security expenditure (early exit, disability, unemployment). This forces up social security contributions and thereby further increases the already high wages. ‘These necessitate further productivity increases in competitive firms as a result of which another round of reductions in the workforce begins and so on’ (Hemerijck et al. 2000, p. 109). As a consequence, the crisis of the disability system endangered the entire wage- and social security system. As Visser and Hemerijck (1990, p. 117) stress, the financial problem of the disability scheme in effect became a system wide governability emergency. This, in our view, constitutes a functional requirement and the context for radical reform.

However, as argued in the theoretical part, functional requirements do not cause their own fulfilment. In fact, not intervening and policy drift were distinct possibilities at the time and political actors could have chosen this option. Yet, the insurance scheme would have fallen apart without drastic action. To understand why things started moving towards radical reform, we argue that the role of ideas is crucial. In the case of the disability reform, one very specific idea turned out to have a momentous transformative capacity: the idea that it was possible to express in one single number how many benefits society was capable of sustaining. This number was the inactivity/activity ratio (i/a ratio). The measure was developed by the Ministry of Social Affairs and expresses the number of economically inactive as a proportion of the economically active. The economically inactive include the benefit recipients of 15 years and older in benefits years. The active population includes those individuals with a job of 15 years and older in full time equivalents. Since the 1990s, the i/a ratio became a key criterion to assess the sustainability of the system of social security. The notion that the i/a ratio does this, constitutes an idea as causal belief because (a) it is a product of our cognition, (b) it connect things in the world – the number of benefits recipients, the working population and the system’s sustainability, and (c) it makes individuals act in that a high and/or increasing ratio offers a motive for action.
It had been shown, among others by the Dutch Council for Scientific Research (WRR) (1990), that the high percentage of disability benefit claimants contributed massively to a high i/a ratio. Consequently, this scheme could be targeted to reduce entry into the scheme and to facilitate exit. In addition, the message had to be conveyed that there was no other option but to reform drastically. This job was prepared by the Dutch Prime Minister Ruud Lubbers, who, in a speech in September 1990 to a layman audience, stated that ‘the Netherlands is sick’. In Kuipers’ (2006, p. 150ff.) terminology, Lubbers hereby invoked a crisis imperative. In our analysis, this statement is a clear example of the blame avoidance strategy “damned if you do, damned if you don’t” (Vis and Van Kersbergen 2007, p. 165). This strategy is essentially an attempt to make plausible that no matter which party or government rules, reform is necessary because the status quo is untenable. With this strategy, the government tried to manipulate the voters’ domain so that they no longer found themselves in a domain of gains, in which they would be unwilling to accept the risk of welfare loss that comes with a drastic reform, but rather in a losses domain, in which they were willing to accept the risk of welfare loss (see Vis 2010 for an elaboration of the theory, prospect theory, behind this). The role of ideas is decisive here, because when voters accept the idea of both the alarming indicator of the i/a ratio and the idea of the unavoidability of drastic reform, they adopt the same causal belief as the government, maximizing the chances for implementing the reform.

Lubbers’ promise that he would resign as Prime Minister if the number of disability benefit claimants reached 1 million helped the government to convince the public of the cause-effect relationship of their idea. If the i/a ratio would not be lowered by drastically curbing the access to the disability pension scheme and boosting the exit out of it, the system would disintegrate. What also helped was the unanimous recommendation of the Social Economic Council (SER), consisting of independent experts, trade unions and employers organizations, to curb the increase of the disability scheme. Higher participation rates would – in their view partly – solve the problems the Dutch economy was facing (WRR 1990; Visser and Hemerijck 1997, Green-Pedersen 2002).
However, these developments did not remedy the problem for the parties that made up the government (the Christian Democrats and the Social Democrats) of how to avoid the blame for pushing through such a drastic reform. The two coalition parties could not agree on the reform’s content, with the Christian Democrats being even willing to abolish the disability scheme altogether, and the Social Democrats assuring their electorate that no drastic changes were upcoming (Kuipers 2006, pp. 152-3; Green-Pedersen 2002). Therefore, the cabinet asked the SER to come up with a wide variety of reform options. By shifting the responsibility for the reform proposal to the SER, the government used another well-known blame avoidance strategy, namely circling the wagons, i.e. sharing the blame as widely as possible by including other actors (Weaver 1988). However, the SER was also unable to reach a consensus and the employer organizations and the expert members advised to make the level of disability benefits dependent on the claimant’s age and to tighten the eligibility terms so that only those who were ‘disabled to do any work’ could qualify for a benefit. The government took over the SER’s proposal on the eligibility criteria but also made the duration of the benefit dependent on the number of employment years prior to disability (Kuipers 2006, p. 154). Because of resistance from the unions and the Social Democrats, the government parties in the end agreed on a less drastic proposal (Kuipers 2006, p. 156ff.).

The other conspicuous reform concerned a major organizational transformation that had been suggested by the Buurmeijer Commission on Social Security Reform (building on a report from the Dutch Audit Office [Rekenkamer]). This committee pointed to the fuzzy tripartite corporatist institutional structure that had caused the ungovernability of the Dutch social security system in general and the disability scheme in particular. As a result, blame was shifted to the social partners who held too much power in the administration of social insurance funds. The ensuing institutional overhaul effectively dismantled the corporatist governance structure of the Dutch social security system.

This short illustration of the 1990s reform of the disability scheme in the Netherlands underscores the merit of our open functional approach to welfare state reform. First, we identified a functional point of departure in the form of an exceedingly large number of
disability benefit claimants that was rapidly approaching three and a half times the intended number of claimants. Drastic reform was a functional requirement to the extent that the scheme would not have continued to exist without it, endangering also the continuation of the entire system of social security. Second, an idea as causal belief was that the scheme caused an extremely high inactivity rate and contributed to the vicious “welfare without work” circle, while a high activity rate was vital for the Dutch economy. This idea offered the guide to act: the inactivity rate had to decrease drastically by curbing the inflow of claimants and by stimulating the outflow out of the disability scheme. The political action of drastic reform itself was accompanied by several blame avoidance strategies, in particular by including others that could be blamed and by shifting the responsibility for the reform proposal for reform to other actors. Although we are here not interested primarily in the electoral repercussions of drastic reform, it is interesting to note that while voters typically agreed with the statement that “the Netherlands was sick”, they did punish the governing parties for the reform implemented. The Christian Democrats lost 20 seats (13 per cent of the votes) and the Social Democrats 12 (8 per cent) – a historic loss for both. This shows that even when an idea catches on and when the government turns to blame avoidance strategies, electoral punishment may still occur.

5. Conclusion

Constructivist studies have convinced us that ideas matter in welfare state reform. The major difficulty in showing how ideas matter concerns the problem of establishing causality. Stating that ideas matter is one thing, but establishing how, under what conditions and with what effects ideas matter is another. We identify that one of the major problems is the assumption that ideas by themselves create the incentives for action. We take issue with this view and argue that ideas on their own do not produce outcomes such as drastic welfare state reform. We need to take into account the broader context, of which ideas are a part, to explain how ideas affect outcomes.
The open functional approach that we propose here understands the challenges that welfare states face as functional demands for policy change whenever the challenges can be shown to threaten existentially the social policy arrangements. In such cases demands for reform need to be met, i.e. if they are not met the schemes will collapse. In this sense, the challenges entail functional pressures and requirements to which political actors must respond. However, this does not mean that political actors will indeed always react, or will always respond functionally. But non-reform or bad reform will cause the system to falter, no matter what the ideas are. Functional requirements are therefore important aspects or parts of the context of political behaviour: they are “objective” constraints on political actors. Such constraints are restricting to the extent that they limit policies that actors can enact. They can also be enabling to the extent that they open up new options and opportunities. This explains why there can be different responses to the same type of functional demands and why we stress that our functional approach is open.

We stress furthermore that explaining drastic welfare state reform solely in terms of functional pressures would be incomplete. We also must provide an account for the mechanisms that link the actual reform strategies that actors choose and the functional demands that make themselves felt in the context. This is because we still wish to explain how and when welfare state reform takes place (or not) that is functional (or not). Here ideas as causal beliefs play a prominent role. In our analysis of the reform of the Dutch disability scheme, which illustrates the potential value of our approach, we tried to make plausible that absorbing three and a half times more beneficiaries than the scheme was devised for threatened the very existence of the arrangement, as a result of which drastic reform became a functional requirement. However, it was an idea that linked the functional demand and the political act of reform. We found that the idea of the inactivity crisis as embodied in an alarming statistic (the i/a ratio) and in the metaphor of the sick Dutch society was capable of preparing the way for political action.

Still, welfare state reform, even under conditions of functional pressures and ideas, remains difficult, because it almost invariably conflicts with established pro-welfare state
preferences and interests among the public. Welfare state reform is almost never an electoral asset (Nelson and Giger 2011; Schumacher et al. 2012). In terms of our open functional approach: the functional requirements of the economic system are likely to conflict with those of the political system. When welfare state reform as a risky business takes place, it requires that political actors who choose to reform the welfare state drastically to device and apply blame avoidance strategies. In our analysis, we found that presenting reforms as inevitable and involving other actors and institutions as co-responsible were the two strategies employed.

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