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Part III

New Risks, New Challenges, New Possibilities
European Center-Left Parties
and New Social Risks

Facing Up to New Policy Challenges

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European center-left parties and the governments that they have formed or in which they have participated face a set of social policy challenges. Since the mid-1990s they have acted in an environment shaped by sociological and economic transformations that have put paid to many of the assumptions under-lying the policy hopes of social democrats and the design of social policy during the years of postwar boom. In addition, the environment of these center-lefts has been profoundly altered by the neoliberal politics and enthusiasm for remaking the role of the state that swept through European societies in the 1980s and first half of the 1990s. While not all parties faced strong and avowedly neoliberal opponents, all had to live with ideological currents in their own societies and international organizations that worked to delegiti-mize some of the most cherished post-1945 victories of social democracy.

Social and economic transformations have generated what have come to be called “new social risks.” Some changes are common to all societies. Population aging not only results in concerns about the sustainability of pension systems but also raises questions about social care. Who will, for example, provide—and pay for—care for the frail elderly as the ranks of the “oldest of the old” swell across European societies? Faced with this question, most European countries have instituted “cash for care,” that is, benefits paid to elderly persons in need of services, but the conditions of access and amounts vary. Other changes are more challenging for some policy regimes than others. Where the postwar settlement included a strict gender division of labor for paid and unpaid work, policy adaptation to declining male earnings and rising numbers of single-parent families has been difficult, whereas there is less of a policy challenge around the balance of work and family
where the dual-earner family has been the norm for decades. Finally, some policy choices made in the years of neoliberal hegemony have created greater stress than other choices on social policy design. Where income-security policies sustained attacks from neoliberals, the rates of child and family poverty are now much higher than where income transfers were redesigned rather than assaulted. As Christopher Howard (this volume) documents for the United States—and the situation is equally true for other liberal regimes\(^1\) in Europe such as the United Kingdom and Ireland—poverty in general and child poverty in particular remains very high in international terms, and this despite significant policy attention to it over the last decade.\(^2\)

The 1990s saw an increase in public social expenditure across Europe, just as it did in the United States.\(^3\) It is important to emphasize from the beginning that the response to new social risks cannot be assessed simply by examining spending levels, which reveal little about the composition of spending.\(^4\) Governments have shifted resources from one policy area to another and altered the mix of taxes, social transfers, and services. In general these reforms, even those promoted by center-left parties and governments, reflect ideas about the role of the state different from those that dominated in the years after 1945. The state was to be responsible for “social investments” in human capital—education, including early childhood education, and training—at least as much as for social “protection” against the risks of ill-health, job loss, and old age.\(^5\)

After presenting the notion of new social risks and the challenges they present in more detail, this chapter examines the responses to them by three center-left parties: the Swedish Social Democratic Party, Britain’s Labour Party, and the German Social Democratic Party. All three have recently been in government, and have therefore had the opportunity to shape public policy. The chapter describes their initiatives primarily as responses to “policy challenges” rather than as elements of political strategy.

**The Policy Challenge of the New Social Risks**

“Old social risks”—aging, illness, unemployment, and so on—have not disappeared. They remain both real in people’s lives and on the agenda of governments. Nonetheless, attention has also turned to the risks resulting from income and service gaps in postindustrial labor markets as well as from demographic and social transformations. Labor market shifts associated with the emergence of knowledge-based as well as service-sector employment polarize skills and earning capabilities. Families with only one income have a substantially higher risk of being poor. Yet transformations in family life have
brought a significant increase in single-parent families. There has been a decline in the fertility rate and an increase in life expectancy. The working-age population and several specific categories, such as single-parent families and those in need of social care, are more at risk of social exclusion as well as of low income.6

Policy challenges are of two broad types. One relates to the means of ensuring adequate income. If a single wage supported several adults and children fifty years ago, this is much less true today, both because of job losses in the industrial sector and because of the rise of the service sector, which traditionally has lower-paying jobs. More generally, the polarization of the post-industrial income structure in many countries has generated an increase in low-income rates among young families, whether single-parent or headed by couples: therefore the appearance of what has been termed “child poverty.” These patterns are often also concentrated among minority ethnic groups and in cities. High unemployment and low employment rates also plague many economies. A second broad challenge is to social care arrangements. Across all types of welfare regimes there are now serious contradictions between the realities that families face in balancing work and family life and the assumptions used when European social protection systems were designed after 1945. For example, women’s higher labor force participation means reduced availability for full-time family caring, while single-parent families have only one adult to provide both income and care. Aging populations mean more frail elderly in need of care and fewer family members at home to care for them.

Governments have reacted to the new structure of risk, albeit at different rates. One widely shared strategy is the deployment of labor market policies that seek to foster labor force participation by almost all working-age adults. These often focus on workers in declining sectors, on women, on youth, and on any category in need of skills training or updating. If active labor market policies (ALMP) have been widely used in Nordic countries since the 1950s (see Pontusson, this volume), they are now found in one form or another in all types of welfare regimes, within member states of the European Union and at the level of the EU itself.7 As Tony Blair and Gerhard Schröder put it in their manifesto for “third way” politics (1999), “A welfare system that puts limits on an individual’s ability to find a job must be reformed. Modern social democrats want to transform the safety net of entitlements into a springboard to personal responsibility.”8

Blair and Schröder, like many other center-left thinkers, argued that achieving these ends would involve remodeling income-transfer programs. But they also understood the need for additional services for improving indi-
individuals’ employability and for social care. One example is the call for improved childcare services, including services that pay attention to the educational and developmental needs of children, which comes not only from advocates for gender equality and children’s rights but also from long-time proponents of labor market activation strategies, such as the Organisation for Economic Cooperation and Development (OECD) (Mahon 2006).

We can see the results of responses to new social risks. Across all types of welfare regimes, services have gained ground in the expenditure mix. As figure 1 documents, the numbers for 1999 are all higher than those of 1980. In addition, the classic cross-regime patterns also continue to structure outcomes, with levels of spending varying in the usual way. They are highest in social democratic regimes and lowest in liberal ones.

Equally important is the timing and content of reforms, as shown by the detailed case studies discussed here. The social democratic welfare regimes altered several policy positions early on, so that the impact of new social risks was mitigated although not eliminated in the most recent decade. The continental European countries, in contrast, first reinforced traditional male

Figure 1. Spending on services for new social risks as percentage of gross domestic product in EU countries, by type of regime (developed from Taylor-Cooby 2004, 16).
breadwinner models under pressure from the social partners, but in the last
decade have recognized the significance of the challenges and are undert-
taking redesign. The liberal regimes, as is their wont, relied on market solu-
tions to welfare problems and found themselves faced with some severe
manifestations of the costs of new social risks, especially in the form of high
rates of poverty.

Center-Lefts Respond to New Social Risks: Three Welfare Regimes

Given these observations, this chapter concentrates on one case from each
type of welfare regime: Sweden represents the social democratic type, Great
Britain the liberal type, and Germany the continental-corporatist type.

A First Responder: New Social Risks and Sweden

Swedish Social Democrats: Platform 2006

Work for all is the most important goal for social democracy . . .
Justice and security are the core values of social democratic welfare policy . . .
Along side these primary goals the social democrats intend to carry through re-
forms in the coming parliament that provide the basis for a long term modernisa-
tion of our country:

1. A competitive Sweden with modern jobs . . .
2. Sweden, a model for the green turnaround . . .
3. The next step in welfare policy involves dental care . . .
4. Sweden will be the best of countries to grow up in . . .
5. Sweden will be the best of countries in which to grow old . . .
6. We all gain from supporting each other.9

If the new social risks are the result of labor market restructuring and new
needs for social care, Sweden had a response to these risks well before the
other two countries examined in detail in this chapter. Indeed Sweden had
its own “third way” long before other countries were even thinking of one.
During the heyday of international neoliberalism the Social Democratic gov-
ernments (between 1982 and 1991), partly in response to the drop in the
employers’ enthusiasm for corporatism, promised a middle route between
Thatcherism and Keynesianism (Ryner 1999, 60). But responses to new social
risks predated even this precocious third way.

Sweden has a long tradition of active labor market policy. Indeed, as Jonas
Pontusson argues (this volume), it has been a core ingredient of Swedish social
democracy. Through the 1990s thinking about Swedish labor market policy
was shaped by principles put forth at the end of the 1940s by the trade union economists Gösta Rehn and Rudolf Meidner. For them ALMP was a necessary ingredient in a policy mix designed to combine low inflation, full employment, and wage compression. Fearing unemployment in low-productivity sectors that would follow from anti-inflation measures, they recommended labor market retraining and other mobility-enhancing measures that would allow workers threatened by unemployment to transfer to high-productivity sectors, and thereby to relieve labor shortages there. While the original emphasis was on labor mobility, from the 1960s through the 1990s it gradually shifted toward holding down unemployment in general (Calmfors, Forslund, and Hemström 2002, 3–4).

The anti-unemployment objective was dominant by the 1990s, as Sweden entered its deepest postwar recession. Employment fell by 13% between 1990 and 1994, and as a result, placement of the unemployed in a labor market program served as the main short-run policy instrument to counteract the steep decline. Enrollment in a program became a mechanism of short-term income security, filling the gap when unemployment benefits ran out and as a means to regain entitlements.10 As we will see below, exit from the recession also brought a redesign of ALMP.

Public provision of non-parental childcare developed early in Sweden in comparison to many other non-Nordic countries. By the mid-1960s the “sex role debate” was roiling through the Social Democratic Party and the major labor federation.11 Led by feminists from left and liberal circles, it divided not only left from right but also the forces of the left itself. Eventually reaching a certain level of consensus by promising parents “choice” between work and care as well as about forms of non-parental care (center-based or family daycare), new investments in services brought a rapid increase in childcare spaces, from a modest 17,900 in 1965 to 224,900 a decade later. In the same years parental leaves were debated and introduced. In 1972 the Social Democratic Party opted for paid parental leaves, clearly rejecting the preference of the right-wing parties and some liberal feminists for a “care allowance” that would subsidize parental (stay-at-home mothers) as well as non-parental care.

This decision, which generated legislation two years later, alongside the commitment to public support for non-parental childcare, was decisive for the way that social care has been organized in Sweden. Its continuing influence shaped governments’ decisions over the next decades to extend parental leave and childcare services. It also continues to be shaped by the Social Democratic Party’s approach to gender and employment, which is that all Swedes enjoy “the right of being both an active parent and an active gain-
ful employee.”12 As economic crisis shook Sweden in the 1990s, reliance on these policy instruments to organize social care were tested and debated but not abandoned. Electoral losses by the Social Democrats brought a revival of the care allowance proposal, and the center-right government of Carl Bildt introduced a “care wage,” which was intended to reimburse partially the “lost wages” of parents who provided their own childcare. The same government, however, also introduced a guarantee of a childcare place for any child whose parent wanted one (something the Social Democrats had talked about for at least nine years) and a “father’s month” as an incentive to fathers to share parental leaves. On their return to office in 1994 the Social Democrats rescinded the care allowance, while promising to institute a second father’s month.

Social care for the elderly was launched on a generous high road in post-1945 decades, as services and housing were arranged in ways to maximize the possibilities for the elderly to live on their own, avoiding both residential care and dependence on their families, even when their health declined and their frailties increased. These early choices implied both improved housing and high levels of in-home services. Thus in the 1970s studies found that almost 40% of Swedes over eighty received home-help services, although another 30% were cared for in institutions (Sundstrom, Johansson, and Hassing 2002, 351). In contrast to childcare, the high point of coverage was reached in the 1970s, and it has declined since.

These policy instruments in the domains of ALMP and social care came under pressure as the new social risks structured the circumstances of more Swedes. The deep recession of the 1990s and subsequent restructuring hit several population categories particularly hard. The cutbacks in social spending instituted at the time were particularly costly for young people, single-parent families, recently arrived immigrants, and those poorly anchored in the labor market (Timonen 2004, 85). Three responses will be considered here: reconfiguring ALMP policies, addressing the needs of the elderly, and investing in children.

Swedish jobs rebounded somewhat after the 1990s, although not all the way back. Employment rates did not return to their previous highs, and dependence on public income transfers did not fall back to their previous lows (OECD 2007d, chapter 7). Precarious work, particularly in the form of part-time and limited-term contracts, has increased, and it affects women more than men. One policy response has been to provide better social protection to part-time workers with even very short hours. The emphasis on lifelong learning has also been intensified, with the Social Democrats proposing to create a new right to obtain it in their party program in 2001.
In a classic reading of the new social risks, the Swedish government also targeted youth and technological change. The “youth guarantee” program offers priority in receiving work, training, and education to workers aged twenty to twenty-four, and placement programs for youth were introduced and redesigned in the 1990s. Grants are also available to employers who hire the older long-term unemployed displaced by changing skill requirements. Computer training centers and other programs for new technologies were introduced over the 1990s. And an “activation guarantee” (aktivitetsgarantie) was instituted in 2000, targeted toward the long-term unemployed but also those working shorter hours than they wished (Timonen 2004, 96–97).13

In the same years awareness of population aging and an expansion of the number of frail elderly led to program adjustments. The proportion of older persons receiving publicly provided homecare has declined in Sweden in the last decades. A major reform by the center-right government in 1992 assigned responsibility for both residential care and home help to municipalities. As the number of elderly rose in Sweden, municipalities squeezed for funds maintained their coverage rate in residential care (that is the care used by the most frail and those without family support), but homecare coverage declined. Whereas in 1994 68% of seniors living alone and in need of help received some homecare from the municipality, by 2000 that number had fallen to 52%. The result was that almost half of frail seniors living alone and in need of help with everyday living relied on informal care from non-cohabiting family or friends. This was a big jump from the one-third who had found themselves in the same situation a decade earlier (Sundstrom, Johansson, and Hassing 2002, 353). Better-off seniors have moved into the private market to hire the help they need, and poorer seniors have returned to reliance on their families. There are also labor shortages in the social care field. Poor working conditions and better job prospects drain workers to other sectors. Municipalities, responsible for providing all public homecare services, face severe labor shortages (Timonen 2004, 89–92). These issues were addressed in the party platforms and program of the current decade; as noted in the passage quoted above, the Social Democrats promised to make Sweden “the best country in which to grow old.” Yet in party documents attention to children and youth far outpaces that going to the elderly.14 Significant gaps remain between needs and available services. With regard to these new social risks, Sweden is falling behind in comparison to its earlier record.15

Single-parent families constitute a paradigmatic location for new social risks. In Sweden the needs of this type of family have always been dealt with through standard labor market instruments as well as by providing generous family benefits to all families. In other words, mothers raising children alone have always been expected to be employed, and they have received the same
family benefits as families headed by couples. In addition, the state guarantees a small monthly child maintenance payment if the non-custodial parent does not make his or her child support payments.

Child poverty has become an increasingly important topic in policy circles, and Sweden’s single-parent families have not escaped the scourge (Kamerman, Neuman, Waldfogel, and Brooks-Gunn 2003, 6). In its pathbreaking study of child poverty in rich countries, UNICEF identified single parenthood as the overwhelmingly important factor in Swedish child poverty. Although Sweden has by far the lowest rate of child poverty overall (only 2.6% of children live in poverty after taxes and transfers are considered), the rate among single-parent families, which in Sweden are numerous, was almost five times greater than that of two-parent families (UNICEF 2000, 17, 10). Policy changes have been proposed, such as replacing the housing allowances by a more generous income transfer. This proposal has been opposed quite widely, however. Therefore action falls back on the traditional strategy, and labor market policies are used to try to increase the employment of lone parents (Halleröd 2007, 26). Here performance lags. While Sweden is a strong performer in UNICEF’s general “child poverty league tables,” it is only in the middle-performing group with respect to rates of workless households, many of which are likely to be headed by one adult (UNICEF 2000, 17). These poor performance indicators result from the basic new social risk, which is the intransigence of new labor market structures in which young people in particular have so many difficulties finding employment, and especially good jobs.

Yet overall, much less attention is now paid to families than to children. This is a shift from the golden age of Swedish social democracy, when generous parental leaves and accessible childcare of high quality were promoted as policy instruments to achieve gender equality within the family and society. “[F]or the development of pervasive, high quality and affordable public childcare in Sweden, starting in the 1960s . . . one motivation was just to allow gender equality in practice, by allowing women both to have children and to stay in employment and develop careers. Three particular landmarks are the 1976 law requiring municipalities to draw up ten year childcare expansion plans, the 1985 law giving all children aged eighteen months to seven years, with working or studying parents, or with special needs, a place in public childcare by 1991, and the 1995 law making it obligatory for municipalities to provide childcare on demand. The Family Policy Committee’s 1972 Report also recommended buttressing the gender equity effects of the public childcare system by transforming maternity leave into a much longer and gender-neutral parental leave, subsequently introduced in 1974” (Ahlberg, Roman, and Duncan 2008, 83).
It was only with the reform of 1995 that access to childcare was clearly separated from parental labor market status. This was a turning point toward the child-centered social investment strategy that is now so prevalent. This emphasis has been dominant for a decade now, shown by a simple quantitative indicator. The Social Democrats’ election manifesto of 2006 mentioned families twice, parents twice, and children twenty-five times. Children had become the focus of policy interventions for combating poverty, achieving equality, and ensuring the future. The Social Democrats’ program of 2001 had also devoted an extraordinary amount of attention to children. Thus the promise cited above that “Sweden would be the best of countries to grow up in” translated into promises to invest in services for children because, as the manifesto put it, “the choices made by children today will determine the future of Sweden.” Children have become actors in their own right, and hold the future of the country in their little hands!

This shift to an emphasis on new social risks has not been without opposition. Trade unions and pensioners have used their solid organizational strength to defend earnings-related benefits and to launch campaigns to restore cuts to unemployment insurance. Nonetheless, new coalitions have also emerged, led by church and community-based groups, which present something of a challenge to the long-standing organization of Swedish politics around producer groups. These new coalitions promote the rights and advocate for the needs of groups such as immigrants and the working poor who have been most touched by the new social risks (Timonen 2004, 105). Therefore the full political consequences of the Swedish response to new social risks remain to be assessed.

Great Britain: New Labour Focuses on Child Poverty and Social Investment

In our third term we will make public services safe for a generation. No going back to one-size-fits-all monolithic services. No going back to the Tory years of cuts and privatisation. Going forward instead to services free to all, personal to each: breaking once and for all the dropout culture in education and the waiting-list culture in health, by raising investment and driving innovation through diversity of provision and power in the hands of the patient, the parent and the citizen.

In our third term we will cement a new social contract with rights matched by responsibilities. No going back to “no such thing as society.” Going forward instead to power and resources in the hands of the law-abiding majority. A government committed both to abolishing child poverty and to putting the values of individual responsibility and duty at the very heart of policy.

—Labour Party Manifesto 2005
The British center-left provides a classic example of a liberal welfare state’s response to the new social risks. Out of power for a decade and a half while Margaret Thatcher’s Conservative Party reshaped the social as well as economic landscape, Labour had ample time to reflect on ways to transform itself into New Labour. Eventually the social policy spotlight was shifted to new social risks, particularly worklessness and child poverty, and solutions were framed in terms of social investments.18

In the 1990s unemployment was high in the United Kingdom, as industrial restructuring slashed jobs from traditional industrial sectors and the service sector did not provide sufficient replacements. The recession at the beginning of the decade was severe, such that in 1994 21% of men aged fifteen to twenty-four and 14% of women were unemployed. Rates of economic inactivity were rising, and at 14.2% of all households, the rate of those that had no one in employment (that is, “workless” households) was the second-highest of the EU-15 (Taylor-Gooby and Larsen 2004, 58).

In large part because of this statistic, in a liberal welfare regime with little in the way of family benefits (in contrast to Sweden, for example), child poverty was also very high. Indeed “a fifth of Britain’s children lived in poverty in the 1990s, a rate more than twice as high as in France or the Netherlands and five times higher than in Norway or Sweden. . . . And while child poverty has remained stable or risen only slightly in most industrial nations over the last 20 years [that is the 1980s and 1990s], it tripled in Britain” (UNICEF 2000, 21). The poverty rate was particularly high among single-parent families, in which the employment rate was significantly lower than elsewhere: 47% as compared to 59% across the EU as a whole (Taylor-Gooby and Larsen 2004, 58).

Given these patterns and under the pressure of successive electoral failures, the Labour leader John Smith established the Commission on Social Justice (CSJ) in 1992 to mark the fiftieth anniversary of the Beveridge Report, which underpinned the design of much British social policy after 1945. While rejecting any return to past policy habits, the commission’s report called for, among other things, more “investments.” This was a language that clearly distinguished it from the Conservatives’ continuing reliance on the neoliberal goal of reducing the role of the state by cutting back. For example, “investing in skills, we raise people’s capacity to add value to the economy, to take charge of their own lives, and to contribute to their families and communities” (CSJ 1994, 119–20). The report set out an argument for the advantages of spending on employability programs rather than welfare, on lifelong learning and on work for all. It made the point too that social justice is “an economic not merely a social necessity.” The report also promoted concentrating on
children for social investment: “the investment we make in babies and young children is wholly inadequate”; “children are not a private pleasure or a personal burden; they are 100 percent of the nation’s future . . . the best indicator of the capacity of our economy tomorrow is the quality of our children today” (CSJ 1994, 122, 311). Finally, it concluded that “the best way to help the one in three children growing up in poverty is to help their parents get jobs” (CSJ 1994, 313).

Chosen as Labour’s leader after Smith’s early death, Tony Blair rarely acknowledged directly any debt to the CSJ. Yet the commission, housed in the Institute for Public Policy Research (IPPR), showed a skill for finding the middle ground within a divided party that identified a path for New Labour when it took office. Drafted by one of New Labour’s rising stars, David Miliband, the commission’s principles underpin the key values enunciated by Blair for New Labour. Reducing child poverty became one of the big policy ideas of the Labour government, and in 1999 Blair pledged to end it in a generation. For his part, Gordon Brown was in full agreement: “Our children are our future, and the most important investment we can make as a nation is in developing the potential of all our country’s children. Together we can ensure that no child is left behind” (H.M. Treasury 2001, iii–iv). Child poverty, and the use of various benefits and services to lower the rate, were a major theme in Treasury documents for the decade before Brown succeeded Blair as Labour’s leader. When he took over as prime minister on 28 June 2007, one of his three new creations was the Department of Children, Schools and Families.19

In contrast to the story of the Swedish Social Democratic Party, New Labour’s is one of significant policy shifts in the mid-1990s (see Cronin, this volume). Whereas the Swedish Social Democrats could adjust to the economic crisis of the 1990s and the rise of new social risks by fine-tuning existing policies and programs such as parental leave, childcare, and homecare, New Labour struck out on new paths in several policy areas. In doing so it did not abandon its standard approach to designing policy within a liberal welfare regime (much of which had been built by “old” Labour after 1945). It remained true to the long-standing preference for market solutions to welfare problems, using instruments of income transfer and services targeted to the most in need. Nonetheless new programs were invented so as “to make work pay,” with several built on work subsidies for families, in contrast to the previous Conservative governments (Seeleib-Kaiser and Fleckenstein 2007, 430).

In this way the focus on investing in children and ending child poverty came together in several initiatives with the issues of employment and combating worklessness. New Labour’s commitment to increasing access to em-
ployment came in the form of several New Deals. “New Deal policies provided intensive training and work preparation programmes and slightly enhanced rates of benefit, and were targeted on specific groups of those out of work, most prominently young people and lone parents” (Taylor-Gooby and Larsen 2004, 68). The election manifesto of 1997 had promised that 250,000 young people would be moved into work by the next election, and the New Deal for Lone Parents set a target of 70% in work by 2010. Additional New Deals were then added for partners of the unemployed (in effect women), persons with disabilities, those over age fifty, and the long-term unemployed. The programs for youth and the long-term unemployed were effectively workfare schemes, participation being compulsory in order to claim benefits (Taylor-Gooby and Larsen 2004, 69). The other programs were voluntary.

Learning has been a constant theme in international discussions of employability and was at the core of New Labour’s approach to new social risks too. The green paper The Learning Age: A Renaissance for a New Britain (1998) encouraged workers to invest in their own training and learning throughout their lives, with some financial support from the state. Spending on learning would be an arm in the fight against childhood poverty, helping parents to upgrade skills and to ensure that children did not follow their parents along the low-skill road. Improving skills was closely linked to welfare reform. For example, single parents were targeted in the strategy Skills for Life, and basic skills counseling became part of their New Deal (Dobrowolsky and Jenson, 2005). While the New Deals offered some basic skill training, the major focus in this strand of the analysis is on learning by children. “The seed of inequality in adulthood is denial of opportunity in childhood. Education is the most important transmission mechanism—people with few skills and qualifications are much less likely to succeed in the labour market” (H.M. Treasury 1999, 7). Thus the “skills agenda” would include a heavy dose of investment in schooling.

Because Britain is a liberal welfare state, albeit a “modernizing” one, New Labour in its responses to the new social risks demonstrated a continuing preference for market solutions. Three kinds of important programs work at the margin of markets. The first set of programs was designed to “make work pay,” and they operated at the margins of the labor market. These were of three types: increases in the minimum wage; policies holding down benefits for those out of work, to increase their incentives to seek work; and supplements to earned incomes.

With respect to linkages between unemployment programs and ALMP, Clasen and Clegg describe Britain as being no less forceful than Denmark in coordinating access to benefits and policy institutions, represented, for ex-
ample, by the Jobcentres Plus that deal with both the unemployed and those in receipt of social assistance benefits. This effort to create a single point of entry is part of “the transition of UK labour market policy from an emphasis on unemployment to an increasing emphasis on ‘worklessness’” (Clasen and Clegg 2006, 204). In large part the accent has been on reduced access to unemployment insurance, job searching, and some training, as noted above regarding the various New Deals.

The redesign and enrichment of benefits for the low-income employed and their families came in the form of various tax credits and benefits, some targeting low-income workers and some intended to help families with children. The Child Benefit and the Child Tax Benefit are available to adults caring for children, the latter being income-tested. In addition, some non-parental childcare costs are addressed by the Working Tax Credit. In other words, much of the redesigned social spending is work-tested, child-tested, or both. New Labour’s Manifesto (2005) promised that “tailored help, especially for lone parents, is key, but we are also committed to making work pay—with a guaranteed income of at least £258 per week for those with children and in full-time work.”

A second type of child-oriented program stressed improving access to childcare. Again the goal was market-shaping. Over the years of Labour government childcare has always been treated as a support for working parents. On this issue the British government continued to be much less convinced than many other countries are that educational care of high quality—and more than part-time nursery school—is good for all children (Mahon 2006). New Labour always had clear ideas about the needs of children who are at risk of suffering from childhood poverty: they need superior publicly supported services to compensate for disadvantages at home. Sure Start, a neighborhood-based program targeting disadvantaged children, was the expression of this prong of the National Childcare Strategy launched in 1997. For the rest, however, the government continued to promise parental “choice.” It preferred to “rely on private mechanisms through the expansion of childcare tax credits rather than the development of public childcare facilities” (Daguerre 2006, 222).

Third, New Labour innovated with a policy instrument for providing market access: asset building. Not long after the election of 2002 Blair described his vision of welfare reform. In a speech he saved his greatest enthusiasm and his most upbeat description of the future for one idea: “But if we are serious about transforming the welfare state, our strategy has to be about more than helping people into work and relieving poverty. To enable people to be independent and make their own choices, they need the back-up of having some
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savings in the bank or a nest-egg. Money put aside changes your horizons. It makes you plan, brings responsibility, offers protection and opportunity. And I want to ensure that those on lower incomes—and the next generation—can share those advantages” (Blair 2002).

Such notions about the wide range of benefits from fostering savings and the acquisition of assets are the purest expression of the social investment perspective. The Treasury had already been working on the idea, floated in the white paper *Savings and Assets for All* (2001). In presenting the white paper, Gordon Brown suggested that the initiatives had the potential of “creating a democracy where wealth ownership is genuinely open to all,” and the first policy experiment was with the Child Trust Fund, a long-term savings and investment account. The government provides a lump sum to each child, and the package includes financial education for children, intended to create the “saving culture.”

New Labour clearly responded to the new social risks. In doing so it arrived at rhetorical flourishes not all that different from those of the Swedish Social Democrats. Recalling the promise in 2005 that “Sweden will be the best of countries to grow up in,” Labour’s Children’s Plan (2007) opens with the statement: “By 2020 we want England to be the best place in the world to grow up.”21 In contrast to both Sweden and, as we will see, Germany, much less attention has gone to the needs of the frail elderly.22

In postwar social policy, services for the frail elderly were provided by local authorities based on need and means testing. Under pressure from the disability rights movement, made up primarily of young activists who promoted independent living for the disabled, and seduced by the cost-control promises of in-home rather than residential care as well as by the discourses of “choice” so dear to neoliberalism, the Conservatives instituted a series of measures to enable care services in the home (Ungerson and Yeandle eds. 2007, 5, 188). In 1996 this basket of policies was expanded to include “cash-for-care,” or direct payments to the disabled to allow them to assemble a care package themselves. Persons over sixty-five were excluded from this program until 2000, when the Labour government extended access to them, so that they could also receive direct payments in order to put together their preferred care packages (Ungerson and Yeandle eds. 2007, 115.) The benefits are needs tested and scaled to financial resources (LeBihan and Martin 2006, 42). Still, participation in the payments-for-care program remains low, and Britain does not shine internationally as a provider of care services for the frail elderly.

Instead, and in line with its driving theme of “social investment,” the Labour Party in office concentrated on increasing employment through
activation strategies and programs of human capital (from the early years through post-secondary education). Adults and their needs for training and retraining were a preoccupation, though one often justified as a means to ending child poverty, and in particular to increasing the employment rates of single parents. In contrast to Sweden, and somewhat unexpectedly for such a pure case of the social investment thematic, parents have not lost their place as policy targets. They remain linked to their children, who have become nonetheless political actors: “Children cannot be the forgotten constituency of politics; parents put their children first and they deserve support from government” (Labour Party Manifesto 2005, 79).

Germany: Rethinking the Risk Structure

Our aim is to pursue a holistic policy for families, senior citizens, women and youth which promotes and reinforces solidarity between the generations and therefore of society as a whole. We want to encourage families to have more children, and we want a stronger role for the family in society. We want to make it clear that without children, Germany has no future.

—Coalition Agreement 2005

Any analysis of the center-left’s response to new social risks in Germany must take into account the strong structuring effects of previous policy choices, many of them initiated by left governments or grand coalitions in which the Social Democrats played a key role. As a policy process in which corporatist political relations as well as Bismarckian social insurance policy regimes have played a key role, the emphasis in studies of the German case is often on stability and blockages to change. Nonetheless, like other European countries Germany has experienced major changes in labor markets as well as in family and employment policy in the last decade. These reforms have been often instituted by the Social Democratic Party (SPD) in power, either in coalition with the Greens or, after 2005, with the Christian Democratic Union (CDU) and others in the Grand Coalition. One dimension of these changes has been a solid focus on demography, which has been shaping much social policy (thus the choice of quotation above).

In confronting one of the new social risks—social care for the frail elderly—Germany was an early innovator, though the innovations relied on the traditional policy instruments of social insurance. In 1994 the government, led by the CDU, instituted long-term care insurance, a proposal which had also been pushed by the SPD (Morel 2006, 233–34). In addition to relieving fiscal pressures in government finances, the goal of the new program was to promote
family-based care by recognizing and subsidizing it (Ungerson and Yeandle eds. 2007, 138–39). Thus even in this innovation the difficulties that Germany has faced in moving away from the male breadwinner model, enshrined in so much of the German social architecture after 1945, are evident. But much of the deadlock has been recently removed by the actions of the current Grand Coalition government, headed by Angela Merkel since November 2005.

With a traditionally strong industrial sector, highly regulated labor markets, and low rates of women’s employment, Germany has had an employment structure characterized by a large proportion of permanent, full-time employment. Nonetheless the industrial sector has shrunk, women have entered the labor market, and non-standard employment—particularly part-time employment—has increased. The result has been more “mini-jobs,” low-skill employment, and working poor (Aust and Bönker 2004, 33–34). These changes have not gone unnoticed, of course, and they have been vigorously debated for two decades now. The controversy has turned on two issues: atypical employment and adjustments to the welfare state.23 The center-left and trade unions were on the side of protecting long-term employment and opposed plans by Helmut Kohl’s right-wing government to deemphasize fixed-term employment and accept even more mini-jobs. The consequences singled out for attention by the center-left were those for pensions in particular. With regard to the low-skilled, a lively debate within policy communities turned on whether to “make work pay” by supplementing (subsidizing) the earnings of low-waged jobs. Opposed by unions and some academic economists and supported by others, the center-left government after 1998 contented itself with a few pilot projects. The third prong of debate about labor market policy has been the interface between unemployment insurance and social assistance, with the center-left proposing a “modernized” welfare state that promotes activation (Seeleib-Kaiser and Fleckenstein 2007, 437).

Despite opposition from trade unions and state and local governments, the second government led by Schröder adopted measures that added up “to a substantial transformation of German labour market policy” (Aust and Bönker 2004, 46). Among these were “job centers” modeled on Britain’s one-stop locations for job seekers (Seeleib-Kaiser and Fleckenstein 2007, 431–32). Social assistance and unemployment benefits were merged for many without jobs, thereby reducing the pool of unemployed who could count on replacement income; they received a much less generous benefit, similar in amount to the earlier social assistance rates.24 One result was to widen the cleavage between insiders with jobs or full insurance benefits and the rest, whose access was to means-tested unemployment or job-seeking assistance. Nonetheless, full-scale activation efforts of the Danish or British type were applied
only to the unemployed under twenty-five. Social Democrats’ hopes to do more were hampered by the constitutional division of powers, which assigns responsibility for “active” and “passive” measures to different levels of government (Clasen and Clegg 2006, 202).

In large part these policy stances adopted by the center-left reflect a long-term process of change in party philosophy. “Although intellectually the Social Democrats had recognised the limits of Keynesian policies in the mid-1970s, they more or less continued to follow the traditional Social Democratic policy path in terms of economic and employment policies until the mid-1990s” (Seeleib-Kaiser, van Dyk, and Roggenkamp 2005, 21). Thus change dates from the second half of the 1990s, just as in Britain. By 1998 the Social Democrats (and the Greens) were campaigning on the position that deficit-financed economic stimulation was impossible and social insurance contributions (the heart of a Bismarckian welfare regime) had to be limited, all to stay competitive in the global economy. The market was also rehabilitated as a social mechanism. As Blair’s and Schröder’s Third Way manifesto of 1999 put it, “we need to apply our politics within a new economic framework, modernised for today, where government does all it can to support enterprise but never believes it is a substitute for enterprise. The essential function of markets must be complemented and improved by political action, not hampered by it. We support a market economy, not a market society.”

If change has been slow but steady with respect to the new social risks of low-wage work and unemployment, the same is now less true of social care, both for the elderly and children. In both cases, though, it has been governments led by Christian Democrats that have brought about the most far-reaching reform.

In the Federal Republic of Germany the risk of long-term care until the 1990s was covered by a means-tested social assistance program of last resort and was a local government responsibility. But local authorities found it increasingly difficult to meet rising demand, and they turned to the central government to take responsibility for care of the frail elderly. There was also, as we have noted, some earlier mobilization for such a program by the Social Democrats. The Care Insurance Act (1994) is a compulsory insurance regime that provides basic benefits to those in need of care, as assessed by an expert team that includes doctors, nurses, and social workers. Benefits may be used in conjunction with personal resources or social assistance and may be taken in cash or in services. The incentive structure of the program is to increase reliance on home care and informal care. The recipient has full control over its disbursement. The universal insurance scheme covers approximately 90% of the population (Morel 2006, 234).
The focus in the German scheme, in contrast to those of some Nordic countries (Jenson and Jacobzone 2000), was intended to satisfy the needs of the frail elderly, and much less attention was paid to informal caregivers (mostly female family members). While informal caregivers do receive some social security rights, the recipients’ preference is by far for in-home care (71%) and within that for cash benefits (73%) rather than formal services (Morel 2006, 243). This means that the domestic economy of benefit sharing remains private and unknown.

Family policy is the other area of major change in Germany, which is finally moving away from the male breadwinner model and toward accepting the need for public intervention to ensure better reconciliation of work and family. Until well into the 1990s policy design had favored stay-at-home parents. A childcare allowance provided extended benefits to parents—read mothers—who remained out of the labor force for three years. The lack of non-parental childcare for infants and toddlers as well as school days that ended very early made it difficult to combine work and parenting even when children were of school age. The tax system penalized a move from part-time to full-time work (Gottfried and O’Reilly 2002, 44–45). Overall Germany was characterized by both low rates of female labor force participation and the third-lowest fertility rate in the EU-15.

In the election that brought the Red-Green coalition led by Gerhard Schröder to office in 1998, three of the four main themes in the SPD party platform had to do with macroeconomic and labor market policy; the fourth was improving family policies (Seeleib-Kaiser and Fleckenstein, 2007, 437). Parental leave was significantly reshaped in 2001 so as to increase flexibility. Both parents may take leave. They may do so at the same time, or they may split the leave in different combinations and at different times, until the child turns eight. Parents also gained the right to work part-time during the first two years after a child’s birth. A second wave of reform in 2005 introduced an earnings-related parental benefit, providing a standard period of twelve months and 67% of the previous net income of the parent taking leave (capped at €1,800/month). By including two months of paid benefits with a “use it or lose it” provision, the design provides clear encouragement for the second parent (read fathers) to take some leave (Daly and Seeleib-Kaiser 2008, 5).

For a number of years the Social Democrats had advocated better supply of childcare, a stance in line with their preference for providing services rather than simply income transfers (Huster, Benz, and Boeckh 2008, 20). The Day Care Development Act of 2005 required municipalities to provide a childcare space for all children under the age of three whose parents were in work or in education or training. Then the Grand Coalition government in the spring
of 2007 promised to increase publicly financed or subsidized care to fully meet demand by 2013. That year as well was targeted for introduction of an individual entitlement to childcare for every child. In other words the male breadwinner model had tumbled, and Germany’s childcare guarantee mimics that of the child-centered Swedish model.

Short but well-paid parental leaves and generous childcare provision represent responses to new social risks. Much more than in Sweden or Britain, the German responses have been driven by fear of risk of declining fertility, as a report to the European Union on child poverty clearly reveals: “Under the guiding idea that Germany needs ‘more children in the families and more families in society,’ the federal government identifies three priorities with regard to children, youths and families for the current legislative period (2005–2009): support of young parents during the family formation phase (see the Day Care Development Act and the new Parental Benefit Act), strengthening the bond between the generations (see the new federal model program ‘multigeneration facilities’), and more attention to be paid to children ‘born on the dark side of life’ (meaning children who grow up under difficult social and economic conditions)” (Huster, Benz, and Boeckh 2008, 18). Many analysts attribute the demographic challenge in Germany directly to the long-standing commitment in social policy design to the male breadwinner model and lack of attention until recently to reconciling work and family. Families were forced to choose between having two incomes and having children.

THESE THREE PATTERNS of response by center-lefts to new social risks, particularly family poverty and labor market exclusion, have been generated by the parties’ understanding of the new social risks and their sometimes enthusiastic, sometimes reluctant embrace of the proposition that modernization of social policy is necessary. The second half of the 1990s was a key moment for all three parties, and indeed almost all European center-left parties. The harsh recession at the beginning of the decade and the political space offered by stumbling right-wing governments provided an opening for proclaiming their commitment to modernization. Sometimes the announcement was dramatic, as in Britain when Tony Blair declared that New Labour had arrived, or when he and Gerhard Schröder trumpeted their manifesto for a third way. Sometimes the rhetoric was more restrained, as center-left parties in Sweden and Germany attempted to reassure their long-time constituents and partners, especially in the unions, that change was necessary to maintain commitments to long-standing values.

There was therefore a political imperative to “modernize.” But just as
pressing was the policy challenge arising from recognition of the new social
risks themselves. There was, it must be said, no significant political mobiliza-
tion by those most affected by the new social risks. Rather, sensitivity to the
challenges came primarily from within social policy bureaucracies and the
policy experts affiliated with center-left parties. What was to be done about
the costs as well as the dwindling supply of social care? With women’s em-
ployment essential to the modern service economy as well as an imperative
of contemporary social relations, who would look after young children and
the swelling ranks of the frail elderly? How could more working-age adults
be brought into employment, and which activation models worked best?

This chapter has documented that in most cases answers to these questions
were found within initial policy trajectories structured by left politics during
the trente glorieuses. While it is hard to account for the responses to new social
risks as the result of contemporary mobilization by the elderly, parents, or the
poor, it is easy to see how the politics of the “old left” of the years since 1945
continues to influence the ways the new social risks are addressed. Choices
about benefits and services frequently echoed those made in the 1950s and
1960s, in terms of generosity as well as policy design. Swedish Social Demo-
crats’ early response to what were “old risks” of labor market shortages and
the need to encourage higher female employment rates helped to keep down
some of the indicators of costly new social risks, because parental leaves and
childcare services were already in place. Nonetheless the traditional solu-
tion of a job for everyone is less effective these days, as Sweden struggles
with poverty and joblessness among single-parent families as well as young
people. This problem is rising in importance and seems intractable to classic
solutions. It blots the Swedish copybook, as does the foot dragging on care
for the frail elderly. New Labour too continues its residualist tradition, with
public programs filling gaps left by market failures for those at the margins
of society. By dint of harping on social investments, New Labour managed
to make a dent in child poverty, although many of the structural patterns of
the new social risks—such as low wages and youth exclusion—remained in
place. No more than the Swedish Social Democrats had New Labour found
“the” solution to the new social risks.

One of the three cases does provide significant novelty. The German So-
cial Democrats stonewalled before directly addressing the new social risks,
called as they were between their allies, their own ideology, and an im-
ploding Bismarckian insurance-based regime. The result today is that first
the Red-Green governments and now the Grand Coalition in which the So-
cial Democrats participate have abandoned some of the fundamental prin-
ciples of the post-1945 model concerning the male breadwinner family or the insurance-based provision of rights and benefits. Regarding the male breadwinner model, German family policy has drawn close to that of the social democrats. As for insurance-based rights and benefits, the movement seems to be in the direction of solutions favored by liberal welfare regimes and away from earned entitlements (Palier 2010). Center-lefts’ responses to new social risks, in other words, may lead them down roads first mapped in the heyday of social democracy, but may also take them over quite unfamiliar terrain.

Notes

1. This chapter relies on the widely used concept of “welfare regime,” first developed by Gøsta Esping-Andersen (1990). The United States as well as most of the other English-speaking countries fall into the liberal category, while the Nordic countries are classified as social democratic, and most of the continental European ones as corporatist, sometimes termed Bismarckian.

2. UNICEF 2007, 6, found that the ranking of children living in poverty in twenty-one countries placed the United States dead last, the United Kingdom second from the bottom, and Ireland in eighteenth place.

3. See the data reported by Howard (this volume) as well as the comparison of twenty-one OECD countries in Castles (2005, table 1, 416).

4. Even more problematic is that they mask an increasing reliance on policy instruments such as negative income taxes and “tax breaks for social purposes.”

5. “Social protection” is the European term used to encompass everything from health to pensions, unemployment benefits, social assistance (“welfare” in American English), employment support and protections, maternity and parental benefits, and family allowances.

6. For studies relying on these definitions see Esping-Andersen, Gallie, Hemerijk, and Myles 2002; Jenson 2004; Bonoli 2005; and Bonoli 2006.

7. Goldhammer and Ross (this volume) describe, for example, French labor market activation policies, and Cronin (this volume) does the same for Britain. Ross (this volume) considers labor market policies in the EU. In their manifesto Europe: The Third Way (1999) Tony Blair and Gerhard Schröder included a chapter entitled “An Active Labour Market Policy for the Left” (on http://www.socialdemocrats.org/blairandschroeder6–8-99.html, consulted 15 July 2008).

8. The content and implications of this manifesto for a “third way” are discussed in detail in Green-Pedersen, van Kersbergen, and Hemerijk 2001 and Seeleib-Kaiser and Fleckenstein 2007, 438.

9. All the documents of the Swedish Social Democratic Party referred to here are available at http://www.socialdemokraterna.se/Internationellt/Other-languages.

10. “An important side objective of Swedish active labour market policy has always been to mitigate the moral hazard problems of a generous unemployment insurance:
by making payment of unemployment compensation conditional on accepting regular job offers or placement offers in ALMPs from the public employment offices, active labour market policy has been used as a work test for the recipients of unemployment compensation” (Calmfors, Forslund, and Hemström 2002, 4).

11. The analysis and details in the next two paragraphs are from Daune-Richard and Mahon 2001.
13. For the long list of programs over time see Calmfors, Forslund, and Hemström 2002, 5–7.
14. Alongside two mentions of the “elderly” in SAP’s program of 2001 were thirty-two going to children.
15. Because of the more generous benefits available in the “golden age” of its welfare regime, Sweden remains an example of a country in which access to services is still higher than, for example, in southern Europe or Britain (LeBihan and Martin 2006, 45).
16. According to UNICEF (2000), 21% of Swedish children live with one parent, the highest rate among the twenty-two countries it studied (the United States was at 16%).
17. Drawing on Esping-Andersen, Gallie, Hemerijk, and Myers (2002), Pontusson (this volume) identifies this child-centered social investment strategy as a core element of the current social democratic project. It is worth noting, however, that a policy focus on “investing in children” appeared in the mid-1990s in liberal welfare regimes as well (Jenson and Saint-Martin 2006).
18. In addition to the specific sources mentioned in this section, much of the analysis is from Dobrowolsky and Jenson 2005.
19. On his prime ministerial website the emphasis on children was clear: “Mr Brown sums his own beliefs up as: ‘Every child should have the best start in life, that everybody should have the chance of a job, that nobody should be brought up suffering in poverty. I would call them the beliefs that you associate with civilisation and dignity.’” http://www.number10.gov.uk/output/Page12037.asp, consulted 17 July 2008.
20. For example, in the party’s manifesto (2005), consideration of childcare is concentrated in the chapter “Families: Support at Work and at Home.”
22. The election manifesto of 2001, for example, did mention the need to support caregivers, but the overwhelming focus on the needs of the elderly was with regard to pensions and income. The balance in the manifestos of 1997 and 2005 was the same.
23. The rest of this paragraph is from Aust and Bönker 2004, 42.
24. These reforms, known as Hartz IV, created a basic benefit which provides low-end security for jobseekers and the long-term unemployed. The changes are described and explained by Seeleib-Kaiser and Fleckenstein (2007) as the product of direct influence of British policy ideas and policy imitation.
26. For further details see Jenson and Jacobzone 2000 and Ungerson and Yeandle eds. 2007, 137–47.
27. This seeming political puzzle is identified by Bonoli (2005, 433).