The German experience demonstrates the impact of policy learning as the Schröder team and the Hartz Commission emphasized the utility of labor flexibility and workfare policies in the United States and the United Kingdom as a driving force behind lower unemployment rates. At the same time, the aftermath of the Hartz reforms illustrates how traumatic major policy shifts can be for long-running political parties. The bloc led by Lafontaine saw the shift in social policy as a betrayal of Social Democratic principles and resolved to form a new political party as a vehicle to make their case to the voters in the years to come.

France

Background: Policy Process and Policy History

As noted in Chapter 3, the precise number and nature of cabinet ministries is not fixed in France. Each cabinet minister has the ability to form ministries over existing permanent agencies and bureaus as a reflection of his or her priorities. For example, the family allowance program in France is administered by the National Fund of Family Allocations (CNAF). This means that CNAF could be placed under the bailiwick of the economic or finance ministry; however, in most situations it falls to an employment or labor ministry or to a welfare ministry. For example, in the center-left cabinet established by Lionel Jospin in 1997, the CNAF came under the supervision of the Ministry of Employment and Solidarity; in the center-right government established by François Fillon in 2007, the CNAF came under the supervision of the Ministry of Labor, Social Relations, Family, Solidarity, and Cities. The CNAF has a permanent bureaucracy and a permanent advisory council. Although the notion of an advisory council is a potentially corporatist one, the pluralist nature of French interest groups creates a variety of representatives for each set of interests. Representatives of the same basic interest often have decidedly different ideological perspectives. This diversity of interests at the table has given French governments some political space to maneuver as governments of different political stripes can appeal to different groups to gain support for pet initiatives.

Besides the CNAF, other agencies and ministries are influential in family policy decisions. Often the pressure for changes in spending levels emerges out of the budget, economic, and/or finance ministries, which then consult with the supervisory ministry or ministries to set parameters for family policy that the relevant agencies need to meet. Support of these executive decisions in the legislature tends to depend on perceptions of public reaction to the proposed changes.

France provides to its citizens an extensive array of universal and means-tested family subsidies. Government assistance to families began in the early twentieth century with policies such as an unemployment insurance program (1905), maternity leave (1913), and a child allowance program (1932). Family programs were improved and expanded after World War II.

Building on this tradition, the 1958 constitution of the Fifth Republic declares a national responsibility for families. The prominence of left-wing movements, the activities of labor unions, the influence of Catholic social teachings, and concern over a declining birth rate have been important factors promoting a generous system of family supports in France.

As in Germany, France has a pronatalist child allowance policy. This policy is a clear response to concerns about low birth rates and population decline. France introduced a child allowance program in 1932 to provide assistance to employees with dependent children. This program was modified in 1939 to eliminate support for first children and increase payments for subsequent children, to a maximum of three children. Currently, all parents with two children under age seventeen (age twenty if the children are students) receive an annual allowance of at least $2,101. As an incentive to have a large family, the allowance increases by another $2,500 for a third child and continues to grow by roughly $2,500 for each additional child after that. The family allowance is not considered taxable income and is financed through payroll taxes. Low-income families are also eligible for several means-tested supplements to the child allowance.

Taxation policy in France also reflects a pronatalist orientation because parents significantly reduce their income tax burden when they have more children. In contrast to most other countries, taxation in France is based on the family rather than the individual. Tax concessions to parents for third and subsequent children are twice the amount allowed for the first and second children. Further, French parents do not pay income tax until their income reaches nearly 1.8 times the income of the average production worker. As a result, only half of French households pay income taxes (see Chapter 7).

France has one of the most comprehensive child care systems in the industrialized countries. The government provides a system of tuition-free preschools for all children aged three to six through the public education system. These preschools are funded through employer and employee contributions. Publicly financed and operated day care centers are also widely available, as are before- and after-school care facilities. These facilities are funded largely at the local level and involve some form of direct contribution from parents. In addition to the universal availability of child care, parents are also given tax concessions for children in public day care and for the cost of private day care in their homes. The child care system, despite its breadth, is criticized because demand for public day care outpaces supply and because of apparent inequities from region to region.

Government-sponsored maternity leave has been available in France since 1913. The program has some restrictions based on family size and length of employment, but generally speaking the French have universal access to paid maternity leave. Female employees now enjoy leave from work at full pay for at least sixteen weeks for each of their first two children. As with other family benefits, the length of the maternity leave and level of benefits increases with the number of children in the family. Fathers may take from three to fourteen days of leave at full pay when their children are born. French parents are also entitled to cash maternity benefits for birth and adoption. These benefits are financed through a social insurance fund based on payroll taxes and government contributions. Parental leave is available during the first three years of a child's life for up to one-year intervals for either parent. The paid leave varies between $400 and $1,000 per month depending on one's income level and how many hours one works (if any) during the leave.

Public assistance is available in the form of means-tested relief for both single and married parents. For low-income families with children, this benefit consists of housing, medical care, and help in finding employment. This assistance is intended to provide the minimum level of income necessary to help people get back on their feet. The extent of this benefit depends on income and household size. Another income-based program provides a basic income level to single parents who have a child under age three or for one year after the individual becomes a single parent.

When Jacques Chirac captured the French presidency in 1995, he inherited a sizable center-right majority in the legislature. His election ended a period of cohabitation between opposing political forces in the executive. Chirac and premier Alain Juppe tried to use Chirac's triumph as further evidence of an agenda-setting mandate for a reduction of the government's role in social policy. This initiative also could be presented as part of the general effort to cut costs and to reduce the budget deficit (particularly in response to pressures to meet EU budgetary standards). They argued that social reform could reduce the size of the public workforce and the flow of transfer payments to individual citizens—thereby improving the macroeconomic climate.

These reform efforts were widely opposed by organized labor and by French citizens more generally. Unions participating in the general strike launched in December 1995 were quick to refer to these twin efforts at privatization and social reform as evidence that the Juppe government was callously indifferent to the needs of the common person. The initial announcements of cuts in social spending prior to the strike were attacked repeatedly in the press and in person-on-the-street media interviews that demonstrated popular support for many of the strikers. The Juppe government appeared to be caught off guard by the adherence to the strike across different sectors of the economy. The wave of protests and criticism led the Juppe cabinet to withdraw most of its social policy reforms at the decision-making stage because the Gaullists and the Republicans feared the possibility of an electoral backlash that could threaten to reduce their large majority in the legislature.

Contemporary Dynamics

As it turned out, this retreat on social policy reform came too late to meet this electoral concern. The early attacks on social policy by the Juppe cabinet helped to fuel the electoral defeat of Juppe's center-right coalition in 1997. The victory of Jospin's center-left coalition kept welfare reform high on the systemic and institutional agendas. Jospin had promised to increase assistance to the disadvantaged but faced considerable budget constraints generated by the process of European monetary unification.

The debate over policy formulation produced a wide range of proposed reforms to all elements of the social policy system. The Communist Party and other leftist parties pressed for higher benefit levels and greater coverage of the French population. Business groups continued to press for a reduction in payroll taxes as a path toward reducing unemployment in France. The center-right bloc criticized the leftist proposals as a recipe for disaster.

The Jospin government decided ultimately to steer a middle course in which elements of both the pro-labor and the pro-business proposals would be adopted. In particular, the Jospin government argued that greater targeting of benefits was needed to raise the level of assistance to the neediest segments of the population without raising tax levels. The first reform in late 1997 aimed at the heart of France's long-standing pronatalist policies: the government eliminated the universal family allowance program and replaced it with a system completely reliant on means-testing that raised benefits to those who qualified. Like the Juppe government that had preceded it, the Jospin government faced widespread protests upon the implementation of this measure in 1998. Leftist movements led these protests, but many upper- and middle-income people also opposed the change because they were the ones losing their family allowance benefits. By mid-1998 the Jospin government restored the universal component of the family allowance in an effort to salvage the rest of its reform agenda. In 1999, with much fanfare, the Jospin government guaranteed full access to health care to poor residents. In turn, in 2000 (after over two years of negotiations) a major reform of the unemployment insurance system increased benefit levels and job training but also tightened eligibility requirements by increasing the work requirements.

The implementation of the welfare-to-work reforms shared similarities with the subsequent experience in Germany in the mid-2000s. The technical implementation of the reforms went relatively smoothly, but the political implications of the reforms were diverse and divisive. Leftist political parties and social movements criticized these reforms as a betrayal of workers' interests. They argued that there were now few or no differences between the social policy platforms of the Socialists and the Gaullists. The center-right bloc countered that the Jospin reforms were insufficient to save the system and improve economic conditions. From the far right, the National Front maintained that French social policy measures were too generous for non-French residents. The decibel level of policy evaluation reached a fever pitch in the first-round presidential election campaign in early 2002. Jospin's campaign argued that these reforms had protected the disadvantaged while stimulating a considerable reduction in the unemployment rate from 11.5 percent in 1997 to 8.4 percent in 2002. Ultimately, the center-left vote in the first round fragmented amid a handful of challengers who each claimed that they would be more progressive than Jospin. This dispersion lowered Jospin's vote total to 16.2 percent, leaving him in third place and out of the decisive runoff election.

Once Gaullist Jacques Chirac defeated National Front leader Jean-Marie Le Pen in the May 2002 runoff, the center-right bloc garnered a large majority in the June 2002 legislative elections. The center-right bloc pursued an extension of the Jospin-era reforms by increasing still further the use of work requirements via a 2003 reform on the major public assistance program (*revenu minimum garanti*, or guaranteed minimum income) while also expanding benefits to families during the first year of a child's life. The reelection of a center-right legislative majority in 2007—combined with the election of the new Gaullist leader, Nicolas Sarkozy, to the presidency—seemed to indicate that the welfare-to-work approach would remain at the center of the social policy debate for the foreseeable future.

The dynamics of social policy in France in the 1990s demonstrate just how effective interest groups can be when they can mobilize vocal public support for their stated position. Although we often consider interest groups as agents of backroom politics and quiet lobbying, they are perhaps most powerful when they win the war for public opinion to put pressure on cabinets and legislators. In a democracy, the threat of an electoral backlash against an unpopular policy decision is a powerful political tool. In France during the mid-1990s Juppe government, the weak clients thesis did not hold because advocates of social spending succeeded in mobilizing public opposition to the proposed cuts. In turn, the initial mobilization against the Jospin government's elimination of the universal family allowance was swift and effective perhaps precisely because it affected negatively affluent families (who had lost their benefits as a result of the shift toward means testing). The difficulty of shifting partisan preferences also became apparent as time passed. Similar to the experience of Gerhard Schröder in Germany in 2005, the pursuit of "third way" reforms by the Jospin government generated a split in the unity of the center-left bloc as the more leftist components of Jospin's coalition campaigned vigorously against him in the 2002 elections.

United Kingdom

Background: Policy Process and Policy History

Although the dynamics of family policy have always been more centralized in the United Kingdom than in the other countries examined in this book, a greater decentralization of the policy network existed in the family policy area than in other British policies prior to this century. Tony Blair's government in 2001 placed social policy into a single unit, the new Department of Work and Pensions, by merging the Department of Social Security with the labor components of the Department of Education and Employment. The various components of this department work closely with the prime minister and the finance minister (the chancellor of the exchequer) in formulating potential policy reforms. Although formal and informal consultation with interest groups is ongoing, most major reforms have tended to take the shape of the electoral campaign platforms that led to a new party forming the government.

By the early 1900s the British had introduced policies to provide old-age pensions, unemployment insurance, and public housing. A widely read plan for postwar reconstruction, the 1942 Beveridge Report, resulted in policies that now provide a series of government-sponsored services. Nevertheless, apart from the National Health Service (see Chapter 8), the United Kingdom has few comprehensive, universal social programs. With the exception of the initial level of family allowances, the majority of family policies are means-tested. During the 1980s and 1990s, Conservative governments emphasized the importance of market mechanisms. In family policy, this ideological thrust was associated with a significant reduction in the level of benefits in most areas.

Family allowances have been distributed in various forms in the United Kingdom since the end of World War II. Whatever their form, these allowances have always been intended to equalize the incomes of parents and individuals without children, as well as to acknowledge the additional costs of child rearing. As such, the child allowance program is a universal benefit financed through general government revenue. Since 1976 the child benefit has been a weekly nontaxable payment to mothers and legal guardians. It is universal for children under age sixteen (age nineteen if the children are students), but the highest benefit is paid for the first child. The annual value of the child benefit is roughly $1,570 per child. An additional child tax credit is available to all but high-income families. Finally, a means-tested family tax credit is also available to low-income parents; this program was created under the Blair government to replace a previous means-tested transfer program.

Taxation in Britain has been based on the individual since 1989, with each taxpayer entitled to one exemption. When the universal child benefit was introduced in 1976, existing tax deductions for families with dependent children, which had been in place since 1909, were eliminated. Child care expenses are not tax deductible, but the Blair government expanded child tax credits for working families with the express purpose of subsidizing day care.

The United Kingdom clearly has a shortage of child care options, especially publicly funded care. In a departure from the European model, the standard for day care in the United Kingdom is private provision. In part this reflects a traditional reluctance by both the public and the government to encourage mothers to participate in the workforce. The vast majority of children under age three are cared for by parents or other relatives, with class being an important determinant of the type of child care arrangement used.

Middle- and upper-class parents tend to employ nannies. Although employment for lower- and middle-class women has become more of a financial necessity, a corresponding movement toward direct public provision of day care services has not followed. Government day care centers have tended to be for children who are considered disadvantaged. Public day care is typically provided by local authorities, but these services vary widely and are generally not of high quality. The Blair government extended considerably the provision of tax credits to working families to assist them in obtaining child care.

Maternity leave has been provided for British women since 1911. Currently, the first six weeks are compensated at 90 percent of earnings. Up to an additional thirty-three weeks of leave are subsidized by a flat-rate weekly benefit (valued at a little under $1,000 per month). After meeting certain conditions relating to wages and length of service, women can opt for up to an additional thirteen weeks of unpaid maternity leave with a guarantee of reinstatement. Under the Thatcher government (1979–1990), the requirements for maternity leave were tightened for employees and relaxed for employers. Many women do not take the full leave because only the first six weeks provide substantial compensation. Fathers can take one or two weeks of paternity leave at the same flat-rate benefit provided for the bulk of the maternity leave. There was historically no official provision for parental leave. Via a 1999 reform, parents gained up to a maximum of thirteen weeks of unpaid leave.

The British approach to poverty relief has historically lacked generosity in comparison with most European countries. Prior to 1948 the British government assisted the poor under the provisions of the 1834 Poor Law, which created poorhouses for so-called paupers, who were forced to relinquish their basic citizenship rights upon entry. Most assistance to the poor came from religious and charitable organizations. In 1948 national public assistance programs were initiated that were expanded in the 1960s and 1970s. The 1992 Social Security Act and the 1995 Jobseekers Act provide the frameworks that currently apply in the area of poverty relief; the 1995 reform shifted most assistance from the more open-ended Social Security System toward the "workfare" approach of the Jobseekers Allowance program, which provides means-tested benefits to able-bodied residents. The new standards were intended by the Conservative Party to reduce the available level of benefits; keep spending down; and encourage the voluntary, informal, and private sectors to cover the difference. Under the Blair government, as we will see shortly, the welfare-to-work approach continued, but the level of benefits and government job training assistance rose markedly for those who meet the means test.

Under Margaret Thatcher's leadership, the Conservative Party sought to move government out of the social welfare business by placing increasing emphasis on personal responsibility and the market. Winning the executive in the stagflationary 1970s—amid a period of prolonged British economic decline—Thatcher chose to place welfare reform (and the reduction of government activity more generally) in the context of making the United

Kingdom economically competitive again. When Thatcher's parliamentary majority was expanded comfortably by the 1983 elections (held after the victory in the Falklands War with Argentina), the Conservative government moved more vigorously to restructure the welfare system over the rest of the decade. Most of the major institutions charged with providing family assistance saw their powers curtailed and functions changed. Although public opinion polls showed that support for universal family assistance did not decline significantly, Thatcher built support for her reform program by convincing many voters that the old benefits and services could be maintained only by increasing taxes. A willingness to pay more in taxes to maintain or increase social services was not apparent among the majority of British citizens during the Thatcher era.

Contemporary Dynamics

This trend in public opinion would not be lost on Thatcher's immediate successor as prime minister, John Major, nor on Labour Party leader Tony Blair. In the 1997 election campaign, both the Tories and Labour called for stable or increased social spending but promised to provide it without raising taxes significantly. Blair's New Labour program—the centerpiece of his huge victory in the May 1997 elections—even trumpeted a large dose of Thatcher's emphasis on personal responsibility. In office, the Blair government promised to develop a series of New Deal initiatives that would transform British social policy.

The policy formulation process was part of a sweeping reconsideration of government activity in family policy, education, job training, unemployment insurance, pensions, and health care. The more traditional elements of the Labour Party emphasized the importance of improving benefit levels that had declined over the prior two decades of Conservative governments; they were supported by organized labor and progressive social movements. Business groups emphasized a desire to retain and enhance labor flexibility and to keep taxes under control. The Conservative Party promised that it would be the best vehicle for extending the welfare-to-work reforms that had been launched under the Thatcher and Major governments.

After more than one year of debate and study, the Blair government enacted a series of major social policy reforms in 1999 that combined elements of both approaches—the provision of higher benefit levels and the insistence on work requirements and strenuous means-testing. A preexisting means-tested cash benefit program was transformed into the Working Families Tax Credit. Reforms to the maternity leave system extended benefits to some poor mothers who did not meet the previous eligibility requirements and created a new system of unpaid parental leave. The largest reform package redesigned the Jobseekers Allowance program by increasing the benefit levels, tightening eligibility requirements further, and increasing government services to job seekers.

This last component of the Blair reforms presented the greatest implementation challenges. A new integrated system of employment assistance was created in which each unemployed person was assigned a personal adviser to serve as a point of contact with the national system of job bureaus, job training centers, and many other social services. To ease the burden of this transition, the so-called ONE program was implemented in stages with a series of pilot centers followed by the creation of the envisioned nationwide network. During the first years of the new program, the Blair government determined that the most disadvantaged participants needed additional job training and higher benefit levels (to enable them to go through that process of extended assistance).

When Blair stepped down from the prime minister's post in 2007, he emphasized considerable progress in social policy. The government had increased family policy spending (as a percentage of GDP) by 25 percent from 1997 to 2003. In turn, child poverty rates also fell by one-fourth by 2005. The Blair government's rebuttal to critics of the welfare-to-work approach argued that improved targeting of social spending enabled a substantial rise in benefit levels with an additional investment of less than 1 percent of GDP.

The United Kingdom's experience with family policy making in the 1990s and 2000s demonstrates two central features of British political dynamics. First, the combination of strong party discipline, a unitary state, and plurality elections paves the way for governments to pursue bold reform initiatives. Second, this increased reform capability is not limitless. Governments that steer too far away from the voters do so at their own risk. The Major government moved to the center to avoid furthering the perception that the Conservative Party had become overly callous under Thatcher. At the same time, Tony Blair finished a fifteen-year-long effort to demonstrate that the Labour Party would not simply rush to restore every social program that was modified or eliminated during the Thatcher era. Instead, the Blair government worked within the welfare-to-work approach inherited from the Conservative Party but claimed to have improved it via better provision of services and greater public spending.

Italy

Background: Policy Process and Policy History

Most family policy issues in Italy come under the jurisdiction of the Ministry of Labor, Health and Social Policies. The core agency is the General Directorate for Welfare, which supervises family allowances and other public assistance programs. Many of these other programs are designed and implemented at the local government level. The finance minister has always been a part of the family policy process, but this role grew during the 1990s as Italy struggled to bring down its budget deficit, and the finance minister has remained more engaged in this century. As in other areas, compromises worked out among different party leaders represented in and across the relevant ministries have not always translated smoothly into new legislation.

Italian family policy has undergone an evolution similar to social policy in Germany. First, a variety of unemployment, disability, and pension programs were initiated at the turn of the century. Then, between the world wars, new family programs responded to both the Great Depression and the fascist rhetorical emphasis on solidarity. After World War II, Italy experienced the greatest economic growth in its modern history, and some of the resulting resources were devoted to an expansion of family policy funding and programming—often via universal social insurance policies.

Child allowances were introduced for all workers under Benito Mussolini. In the postwar era, allowances initially varied by region and by occupation, but by the 1970s Italy had moved to a universal flat-rate monthly benefit per child. Over the next decade, amid burgeoning government deficits, successive governments inserted means-tested restrictions: families earning more than twice the national average receive no child allowances, whereas those earning between 150 and 200 percent of the average receive partial benefits. The maximum benefit per household varies in accordance with the income level of the family, the number of children, and whether it is a single- or a two-parent household. Additional means-tested transfer programs exist for low- and middle-income families with three or more children. The tax code provides additional support for families. Tax deductions exist for children and other dependent family members. In addition, a tax credit for children pays out an equal benefit per child. Several public assistance programs exist at the local government level with funding from the central government.

Since the 1970s, universal child care for preschoolers has been provided via child care centers and kindergartens. The centers are run by local governments with funding support from the central government. Since 1950, female employees have been entitled to five months of paid maternity leave (beginning two months prior to delivery). The maternity leave program provides benefits at 80 percent of previous earnings. Either parent can also opt for an additional six months of leave, at 30 percent of earnings, during the child's first eight years. Another five months of unpaid parental leave can be obtained beyond the maximum limit for paid parental leave. Female employees are also entitled to paid parental leave to care for sick children under age three.

During the 1990s, efforts to reform Italian social policy were shaped not just by fiscal pressures visible in several other countries but also by widespread disaffection with the national government. The political dynamic of two generations of Italians—coalition governments dominated by the Christian Democrats—collapsed during the 1980s in the midst of corruption scandals that damaged the traditional governing parties. In this volatile climate, social policy reform emerged on the systemic agenda in the 1990s amid a climbing budget deficit and increasing attacks on the exchange rate. In 1994 the newly elected Berlusconi government proposed a substantial reform of the pension system as well as reductions in family policy benefits in several areas. Berlusconi, beset by problems within his own coalition, lost a no-confidence vote after less than a year in office. His nonpartisan successor, Lamberto Dini, presented himself as a technocrat concerned about the ability of Italy to meet its obligations under the Maastricht agreement on fiscal policy (see Chapter 6). Dini shepherded through a budget that reduced the rate of increase for family spending but made no major family policy reforms. He did broker a pension reform that reduced medium-run fiscal pressures on the retirement system by reducing future benefits and introducing a new supplemental, investment-based pension.

The 1996 election produced a center-left victory led by the PDS, the major faction of the once-communist party. The new government under Romano Prodi pledged fiscal and social responsibility. Prodi's governing platform called for a welfare state compatible with fiscal responsibility, which he deemed essential given Italy's need for sharp deficit reduction to meet Maastricht Treaty criteria for European monetary unification. The Prodi government increased benefits for family allowances and—especially—for child care but left the basic policy frameworks intact. The Refounded Communists (the other faction of the old communist party) pulled their support away from the Prodi government in October 1998 on the grounds that Prodi had not done enough to protect social spending. The subsequent center-left coalition government under Massimo D'Alema expanded the parental leave benefit in 2000 by extending the maximum age of the attended child from three to eight years. In general, however, the major policies of the Prodi government were left in place.

Contemporary Dynamics

The 2001 elections restored social policy reform as a significant component of the systemic agenda. Berlusconi called for a contradictory mix of tax cuts, public works spending, further pension reform to reduce costs, higher benefits for current retirees, and a reworking of the welfare and labor market systems that would increase the role of work requirements. The center-left Olive Tree coalition tried to characterize their opponents as indifferent toward the fate of the impoverished. Berlusconi's coalition received a large enough majority to govern this time (unlike in 1994) without the support of the Northern League—the coalition partner that spoke the most insistently in favor of substantial cuts in social policy spending.

While the Northern League called for major spending cuts and a dramatic reduction in payroll taxes, Berlusconi's own Forza Italia and its other coalition partners argued on behalf of a slower reduction in social spending coupled with an increase in eligibility requirements for many means-tested programs. Center-left political parties and labor unions argued for the protection of benefit levels along the lines of the policies pursued under the previous two Olive

Tree governments. Business confederations argued for lower payroll taxes and improved labor flexibility to make it easier to hire and fire workers. As this debate continued during 2002, a violent event shifted some of the tone of the debate: the leftist terrorist group the Red Brigades assassinated Marco Biagi. Biagi had been the Berlusconi advisor most associated with the development of "workfare" reforms. Most groups and individuals across the political spectrum repudiated the assassination; in its aftermath, it helped to lower the decibel level of the policy formulation debate. By July 2002 three dozen employer and labor associations signed an accord calling for a negotiated consensus on social policy reform that embraced many elements of Biagi's past proposals.

In 2003 the so-called Biagi Law mandated a dramatic restructuring of Italian social policy toward labor. New work requirements were introduced for welfare beneficiaries and for the long-term unemployed. In turn, the law called for the creation of a national network of local employment agencies that can be public, for-profit, or nonprofit in nature; these are to be linked in a national jobs database accessible to employers and job-seeking individuals. Other labor law reforms made it much easier to hire and fire workers in a series of different short-term job categories. During this second Berlusconi government, family allowance benefits were left untouched—slowly reducing the value of those benefits over his five-year term. In one area, however, the Berlusconi government supported the upswing in benefits endorsed by the prior Olive Tree governments: child care spending commitments were maintained and continued to grow in the 2000s as they had in the late 1990s.

The Berlusconi government, like the Koizumi government in Japan, defended the child care spending increases as part of a pronatalist policy that would make labor markets work more efficiently. The Biagi Law presented even greater implementation challenges than the analogous changes pursued by the Blair government. In the United Kingdom, the ONE program mandated the transformation of many existing government-run social services into an integrated network. In contrast, the Biagi Law called for the creation of a unified employment system out of a loose network of employment agencies, many of which were formed after the law took effect. Furthermore, the evolution of the reform also called for more job training than the system was able to provide initially.

In the 2006 election campaign, the Berlusconi government took credit for the decline in unemployment rates from 9.1 percent in 2001 to 7.7 percent in 2005. Berlusconi's opponents on the center-left countered that the reduction in unemployment had been sharper under the previous center-left governments, during which the jobless rate fell from 11.2 to 9.1 percent. Prodi's center-left coalition won a narrow majority in 2006, but the defeat of his government in a January 2008 vote of confidence culminated in new elections, which Berlusconi's coalition won. As of this writing, there is no reason to assume that Berlusconi's third government will abandon the social policy approach that his government took earlier in the decade.

The Italian experience demonstrates some of the special difficulties faced by multiparty coalition governments. When the executive needs the support of several parties with different ideologies and different core constituencies of voters, policy reform of any magnitude can be decidedly difficult to conduct. The first Berlusconi government and the first Prodi government were toppled because of disagreements among coalition partners with different regional and ideological constituencies. During the first several months of Berlusconi's second government, it was not at all clear that a firm coalition could be mobilized in support of a "workfare" reform bill. The killing of welfare-to-work advocate Biagi mobilized a willingness to accept many of his suggestions that might not have existed otherwise. This is an important reminder that politics is a decidedly human activity in which relationships among the participants in public debate frame their willingness to compromise (and their willingness to criticize).

European Union

Background: Policy Process and Policy History

Social policy coordination has been on the agenda in Europe for a long time. Article 123 of the 1957 Treaty of Rome called for the creation of a European Social Fund (ESF). Member states initially put this action on the back burner as they focused instead on reducing tariff and nontariff barriers to trade. However, after northern European countries began to experience increased social problems with foreign guest workers in the 1970s (see Chapter 5), the ESF was created in 1974. During the 1970s and 1980s, as the European Community expanded to include several relatively poorer countries, ESF spending rose to provide job training and unemployment benefits to workers in Greece, Ireland, Portugal, and Spain who were harmed by the initial transition to freer competition with the major European economies. When the 1987 Single European Act called for steps to realize the Treaty of Rome's call for free movement of labor, pressure for a coordinated social policy rose to minimize the possibility of widespread social dumping.

These concerns led to the adoption of a European Charter of the Fundamental Social Rights of Workers (or Social Charter) in 1989 by eleven of the then-twelve member states; the United Kingdom, under the vocal opposition of the Thatcher government, refused to sign the agreement. The Social Charter is a proclamation of principles that did not lead to many concrete initiatives because of the need for unanimity under traditional EC voting rules. Even the eleven countries in the Social Charter found it difficult to agree on specific community-wide social policies. The Maastricht Treaty included a social chapter of similar goals that the United Kingdom again refused to sign. The other EU members agreed to form a Social Community that could make some labor market policy decisions via a qualified majority voting system. Maastricht's emphasis on labor policy harmonization would eventually produce perhaps the first major EU directive on social policy—the 1996 parental leave directive that established minimum standards for parental leave throughout the EU.

Contemporary Dynamics

Later in the 1990s the negotiation of a new framework treaty for the EU created a new opportunity for agenda setting in EU social policy. Article 137 of the Amsterdam Treaty called on the Council of Ministers to develop measures to increase cooperation among member state governments to fight social exclusion. Although the treaty left family policy as an exclusive competency of the member states, Article 137 sounded a clarion call for the EU to induce greater coordination of social policy efforts in the name of reducing exclusion. Subsequent to the Amsterdam Treaty, a special summit in Lisbon created an initial policy process for the EU in an area in which it was now charged with combating exclusion while it was still instructed not to make direct policies. At Lisbon in 2000, the Council of Ministers endorsed the so-called "open method of coordination" (OMC) as a mechanism for policy coordination in the EU. To avoid violating member states' sovereignty in family policy, the European Commission is charged with facilitating consultations among member governments that will produce common objectives and indicators. In turn, the pursuit of those shared objectives shall involve information sharing and strategic reports among the Commission and the member states. A new era of EU social policy was born.

In the initial policy formulation debate, the Commission tended to tread lightly in deference to member states' exclusive competency in family policy and in social policy more broadly. Commission members supported the suggestions of member state governments that the OMC approach should emphasize fact-finding and research. Indeed, it proved difficult to build support for a specific set of social exclusion priorities. To maintain momentum, support grew in the Commission for a loose mandate for research as a path to initiate cooperation and dialogue in this policy area.

In December 2001 the member states and the Commission endorsed a five-year research agenda called the Community Action Program to Combat Social Exclusion. The three major goals established involved (1) improving the understanding of social exclusion and poverty, (2) organizing the exchange of information regarding national action plans to fight poverty and exclusion, and (3) capacity building with an eye toward improving future policies. Toward these loose shared ends, the EU dedicated over $100 million over the years 2002–2006. The Community Action Program sponsored studies of the causes and characteristics of exclusion, meetings and conferences in pursuit of developing best practices to combat poverty, and broadened pan-European networking to raise the profile of these issues in national and regional settings.

Given the very diffuse research mandate, it is perhaps not surprising the program's official report detailed a series of ways in which greater shared purpose could produce more satisfying and useful research findings. Although the report acknowledged the crucial role of many local factors in determining both the dynamics of social exclusion and the utility of various social policy instruments, it argued that future OMC efforts should aspire to develop a more shared understanding of which social policy goals merited community-wide attention.

In the policy evaluation process, this initial OMC effort culminated in policy change: the EU decided to blend its existing competencies in labor market policies with this newer initiative to combat social exclusion. Specifically, the next community action plan for the years 2007–2013, called PROGRESS, will combine the pursuit of the European Employment Program with another round of research and consultative roundtables regarding the fight against social exclusion and poverty. As of this writing, it remains to be seen whether this innovation will mark an eventual increase in EU social policy activity (via potential linkages to labor market dynamics) or if the PROGRESS program will instead constitute a point of inflection in which the EU resolves to limit its social policy making to labor issues more narrowly defined.

As with health policy, EU social policy dynamics speak to the importance with which member states guard the independence of their welfare policies. At the same time, the evolution of the EU has seen a gradual build-up during the 1990s and 2000s of rhetorical emphasis on the importance of social policy coordination. We may be observing the beginning stages of a much longer process. If it took nearly half a century for the European Community to shift from a call for a single market toward a host of single-market policies, the period from the late 1980s through the late 2000s constituted the first half of a similarly capacity-building process in the realm of social policy.

Cross-national Trends

As with tax policy, the general social policy approach of the three continental European countries (France, Germany, and Italy) differs from that found in the other three countries. The continental countries tend to have more universalist policies, whereas the other three pursue means-testing measures more frequently. In general, universalist policies tend to be associated with lower rates of relative poverty. Despite the superior performance of universalist policies (and of higher social spending) in reducing relative poverty, in the 1990s and 2000s all six countries enacted reforms that relied more frequently on means tests (or tightening existing means standards). Furthermore, all six countries have, at times, frozen or reduced welfare benefit levels. Although the use of means-testing as a prevalent feature of social policy efforts was familiar outside of continental Europe, it represents a new development in France, Germany, and Italy. Efforts to explain this change have tended to focus on the impact of globalization and, in particular, the push toward deficit reduction implied by monetary unification. Amid the restructuring efforts, we also consider reasons why the level of social spending on family policy proved more resilient than the prevailing political debate might imply.

Policy Outputs

A clear division appears to exist between countries that have tended to rely more on means-tested policies (Japan, the United Kingdom, and the United States) and those that have opted more often for universalist social insurance policies (France, Germany, and Italy). In making such a generalization, however, we are referring to differences of degree in the mix of instrument choices.

The mix of public and private responsibility and of means-tested and universal policies is summarized in Table 9-1. No country relies exclusively on means-tested policies. For example, all countries employ a social insurance approach to unemployment benefits (and to public pensions). At the same time, even the three countries with the predominantly universalist approach (France, Germany, and Italy) employ several means-tested programs for poverty relief.

Universalist social insurance policies tend to be more politically viable because they guarantee benefits to all. This approach makes it easier to build political coalitions that will protect and raise the benefit packages associated with the programs. In contrast, means-tested packages are more vulnerable to political attack because the beneficiaries—the impoverished—are often not well organized politically. This supposition that social insurance policies lead to higher benefit levels generally holds true for child allowances in these six countries in 2008. The three countries with the longest universalist child allowance traditions (France, Germany, and the United Kingdom) provided an average annual benefit for a two-child family of over $3,500, whereas the average child allowance in Italy, Japan, and the United States was $500 (U.S. Social Security Administration, 2009). As Table 9-2 demonstrates, these child allowance trends follow the pattern for overall spending on family policy. France, Germany, and the United Kingdom spent an average of 2.6 percent of GDP while the other three countries spent half as much on family policy. The data for the United Kingdom represent a particularly compelling example of how social insurance programs can generate support for funding even in a comparatively hostile political environment.

Beyond direct spending levels, countries also engage in social policy via tax expenditures. As noted in this chapter, the United States has the most active program of social tax expenditures—providing benefits toward the sorts of activities discussed in this chapter valued at well over 1.5 percent of net national income in 2005. Germany's tax expenditures in social policy also exceeded 1 percent of net national income; each of the other four countries' tax expenditures constituted less than 1 percent (OECD 2009c).

Table 9-1 Social Policy Models, 1980–2008

Country	Child Allowances	Child Care Funding	Paid Family Leave Policy	Unemployment Insurance
France	SI (1980–1995) Mixed (1995–1997) MT (1997–1998) Mixed (1998–2008)	Public>Private	Maternity and parental (1984–2008)	SI
Germany	SI (1980–1982) Mixed (1982–2008)	Public>Private	Maternity and parental (1986–2008)	SI
Italy	Mixed	Public>Private	Maternity and parental	SI
Japan	MT	Private>Public	Maternity and parental (1994–2008)	SI
United Kingdom	SI (1980–1985) Mixed (1985–2008)	Private>Public	Maternity (1984–2008)	SI (1980–1994) Mixed (1995–2008)
United States	MT	Private>Public	None	SI

SI = social insurance; MT = means-tested; Mixed = mix of SI and MT.

Table 9-2 Public Spending on Family Policy per Gross Domestic Product (1985–2003)[a]

Country	Family Policy Spending per GDP (1985)	Family Policy Spending per GDP (1995)	Family Policy Spending per GDP (2003)
France	2.7%	2.7%	3.0%
Germany	1.8	1.8	1.9
Italy	0.9	0.6	1.2
Japan	0.4	0.4	0.7
United Kingdom	2.3	2.4	2.9
United States	0.6	0.6	0.7

SOURCE: Organisation for Economic Co-operation and Development (2009c).

[a]Public social spending encompasses funding of poverty relief, family allowances, maternity and parental leave, food benefits, child care, and other social services. It also includes cash rebates generated by tax credits; however, it excludes tax expenditures that do not generate cash payments.

Policy Outcomes

Given this variety of policy mixes, which countries have been most successful at limiting poverty? Poverty can be defined in a multitude of ways. The notion of **absolute poverty** implies some basic needs standard beneath which citizens are said to be poor. This threshold varies substantially from expert to expert and from government to government. This lack of agreement on a common standard makes meaningful cross-national comparison of absolute poverty statistics difficult.

Table 9-3 Relative Poverty (mid-1980s to mid-2000s)[a]

Country	Mid-1980s	Mid-1990s	Mid-2000s
France	7.6%	6.9%	6.5%
Germany	6.3	8.5	11.0
Italy	10.3	14.2	11.4
Japan	12.0	13.7	14.9
United Kingdom	6.2	9.8	8.3
United States	17.9	16.7	17.1

SOURCE: Organisation for Economic Co-operation and Development (2009e).

[a]Percentage of the population earning less than 50 percent of the median income.

Poverty can also be defined in a relative sense. Perhaps the most common definition of **relative poverty** in industrialized countries has been used by the Luxembourg Income Study and by the Organisation for Economic Co-operation and Development countries. They define the relative poverty rate as the percentage of households that earn less than 50 percent of the median household income (adjusted for family size).

Table 9-3 presents data on relative poverty for the six countries examined in this book. Two of the three countries that have the highest spending commitments in family policy have noticeably lower poverty rates (France and the United Kingdom). The partial exception is Germany. Germany had a below-average poverty rate in the 1980s and early 1990s until the pressures of reunification raised poverty significantly over the ensuing decade (particularly with the incorporation of eastern Germany, with its higher level of poverty). It remains to be seen if Germany can lessen the relative poverty inherited from reunification. The two countries with the greatest reliance on means-tested programs (Japan and the United States) have higher poverty rates. The poverty rate is considerably higher in the United States than in the other countries.

Why do the countries with more universalist policies tend to have lower relative poverty rates? At least two interrelated explanations are possible. First, social insurance policy advocates would argue that the universalist approach helps to prevent many potentially poor citizens from experiencing prolonged poverty by allowing families at the lower end of the middle-income range to save during good years. In contrast, means-tested policies (especially those involving assets tests) often require citizens to become desperately poor before receiving government assistance. As a result, by the time government help arrives, citizens are in a deeper hole that is harder to escape. Second, as noted earlier, universalist policies are easier to defend politically, which ensures greater policy continuity over time—thereby allowing the policies a better opportunity to succeed.

Understanding Reform Dynamics

One might assume that all countries—because they certainly share a desire to reduce poverty—would move over time toward increasingly greater use of social insurance policies. However, in reviewing the six case studies, one sees the trend line in the 1980s and 1990s moving toward a redefinition rather than an expansion of government activity in social policy. This restructuring is taking place on two different levels: policy instruments and funding levels. First and foremost, there is a visible trend toward greater means-testing in the area of child allowances (see Table 9-1). In 1980 only Japan and the United States had means-tested child allowances. By the mid-1990s the other four countries had stepped up the role of means-testing in pursuing a mixed approach to child allowances. Further, shifts to means-testing and tightening of existing needs standards are on the systemic and institutional agendas of all of these countries. In particular, the shift toward greater work requirements as an eligibility requirement for poverty relief and for unemployment insurance was a well established trend by the early twenty-first century. Second, in all six countries, the policy debate focused heavily on constraining the growth of social policy expenditures. In pensions policy, several of these countries engaged in dramatic reforms. However, in family policy, not all benefits were viewed as costs that hurt the business climate. Quite the contrary, several of these countries—especially Italy, Japan, and the United Kingdom—expanded public spending on child care as an infrastructural investment that was heralded as good for families and good for business. It is no surprise that these three countries experienced the biggest increases in family policy spending per GDP in the early twenty-first century.

As discussed throughout this chapter, reforms aimed at limiting government responsibilities in social policy have taken place amid more generalized debates regarding deficit reduction, tax relief, and labor market reform. This is not mere coincidence. Social policy broadly defined is the largest single category of government spending in industrialized countries. As long as deficit reduction and tax relief remains high on the political agenda, we can expect social policy to be a spending category under the microscope.

How long should one expect the welfare-to-work reform movement to last? The Anglo-American countries have long been skeptical about universalist social policies. For those countries, the contemporary contraction in government intervention in this area is part of an ongoing debate in society and among the major political parties. In the continental European countries, with citizens and major parties historically more supportive of welfare initiatives, this shift represents a novelty. The 1990s marked the first decade since the end of World War II in which government intervention in social policy decreased. In the case studies, French, German, and Italian politicians placed a heavy rhetorical emphasis on the budgetary demands of monetary unification as a rationale for a contraction of the welfare state. In turn, in the 2000s more emphasis was placed on a flexible work environment as a potential tool in the fight against unemployment. Time will tell whether governments will continue to rely heavily on means-testing and employment requirements over the next decade.

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