Varieties of Neoliberalism: Trajectories of Workfare in the Advanced Capitalist Countries

Gregory Albo and Travis Fast
Department of Political Science
York University, Toronto

Presented at the Annual Meetings of the Canadian Political Science Association
Congress of the Humanities and Social Sciences, Dalhousie University, Halifax, Nova Scotia
30 May 2003

The end of Keynesianism; the end of corporatism; the end of the welfare state; the end of socialism: the 1980s was full of endings. Were all these endings also a process of new beginnings? The endings were, each in their own way, clear enough to discern. Efforts at state-led industrial adjustment, Keynesian demand management, centralized wage negotiations, and active employment and welfare policies had reached an impasse. The combined impact of domestic distributional conflict, the internationalization of economic activities, and the cold shower of the Volcker monetarist shock of 1981-83 shifted the policy terrain in the direction of liberalized national and world markets. The new right governments of Thatcher, Reagan, and Mulroney were the foremost symbols of the new policy context. The brief flirtations with radicalized social democratic projects of reflation in France under the first Mitterrand government and wage-earner funds in Sweden, followed by capital market openings by these same governments, were equally significant markers of the new political terrain. The policy agenda from the 1980s on was being set by neoliberalism, in the institutions of the 'Washington consensus' and the policy shifts of the governments comprising the OECD, with a wave of 'market-enhancing' reforms not seen since before the war.

The ensuing theoretical debate about market versus institutional flexibility for supply-side adjustment to the new competitive imperatives, the demand-side now seen to be set externally by the world market, has directly raised the question of the viability of diverse welfare strategies. The neoliberal diagnosis identifies the rigidities of postwar employment and welfare policies for the economic downturn and market liberalization and incentives as its prescription. For the social democratic movement, the debate has posed programmatic renewal: it has increasingly come to define itself in terms of defending and advancing the welfare state, to provide the sellers of labour-power a measure of social security in a way that would not impinge upon economic competitiveness, and neoliberal policies have clearly put these distributional bargains under extreme duress. And for others, the new context has called for reassessment of the constraints and imperatives embedded in capitalist accumulation for the redistributional agenda of the welfare state. This entails examining the distinctive structures of 'market control' that existed in the individual advanced capitalist countries, the limitations of these policies in meeting social needs and distributing work in the new 'market enhancing' context, and also the politics that might advance a 'market disengaging' strategy for work and income.[i]

The debate over the future of the welfare state has, however, become locked into oppositions – convergence versus divergence, national versus international, systems versus environments, and liberal market economies versus coordinated market economies – and their empirical statuses and relative merits. Neoliberals contend that globalization signals the death knell for European 'welfare capitalism'. They have been joined by 'Third Wayist' social democrats who have come to accept that globalized markets require the construction of new multinational systems of governance in Europe, North America and East Asia, and national (or regional) market-enhancing 'productivity pacts' for competitiveness.[ii] These parallel analyses posit a new socio-economic convergence, with severe policy implications for re-distribution that egalitarians of all persuasions have felt bound to oppose.

Just as the postwar formulation of 'Keynes plus the welfare state' came in many forms, economic slowdown and competitive imperatives from a more integrated world market do not necessarily imply a single convergent pole of socio-economic adjustment. Most Weberian analyses, for instance, note that European states have developed large public sectors, extensive welfare programmes and high taxes on waged income, while North American public sectors remain much smaller, welfare programmes more residual and taxes lower, and states like Australia have adopted juridically regulated occupational based securities and smaller but redistributional welfare states. The paths out of the welfare state during the 'long downturn' are thus likely to diverge in terms of 'institutional fixes' to new competitive imperatives as well, given the embedded nature of distributional bargains in national processes of class formation.[iii] In response to Susan Strange's intervention on the side of institutional convergence, the resounding Weberian reply has been: 'yes, divergence will persist forever.'[iv] But this rejoinder begs the central issue: what is the social form of divergence?

This overarching concern with the social form that welfare states have taken after two decades of neoliberal restructuring raises several specific conceptual and empirical questions. First, what are the limits of current conceptualizations of convergence and variation between national social formations within the current phase of capitalism? The first section rejects the convergence thesis as it structurally projects changes at the international 'level' into the future of national capitalisms, as if there was only one possible adaptation to the organizational rationality of global capitalism. But the Weberian methodology of beginning from the empirical specificity of institutional arrangements to form ideal-typical characteristics of national capitalisms from which theoretical claims of general variations within capitalism are made, without reference to more abstract and general contexts, constraints and imperatives of capitalist development, is also contested . Second, what are the constraints and imperatives of the contemporary period contributing to the reconfiguration of work and welfare policies? In the second part, it is suggested that the changes to work and welfare policies must be placed in the context of the long downturn and the rise in unemployment and labour reserves across the advanced capitalist countries. The institutional specificity of welfare states have been predicated on a certain level of economic and productivity growth, and employment and labour force participation rates, which no longer obtained from the mid-1970s onwards. As a consequence, the stability of the various postwar political compromises have become unhinged and new patterns of distribution and reproduction established. Institutional variation between advanced capitalist countries persist, but substantively these 'varieties of capitalism' have become incorporated into the processes of neoliberalism under the constraints and imperatives of the present phase of capitalism. Third, what are the 'varieties of neoliberalism' that have been forming? In the third part, four of the modal cases in the advanced capitalist zone – the U.S., Japan, Sweden, and the Netherlands – are assessed in terms of their workfare trajectories.[v] Workfare is, in this assessment, one of the modalities of governance specific to neoliberalism. Workfare is an employment centred social policy having the following attributes: individual skill development; deregulation of labour markets; and increasing market dependence for income by extending selectivity and means testing for income security payments and by decreasing benefits and eligibility for the unemployed and marginalized. Finally, given its accommodation to market imperatives, will social democratic welfare strategies remain oriented to regulating wealth production, to raising productivity and taxes to meet social needs and to redistributing income growth within capitalism? The concluding section takes up this question in returning to some of the conceptual themes of the paper.

1. Beyond Convergence and Divergence

Studies of the contemporary welfare state have long debated the degrees of convergence and divergence of cross-national variations in the institutions of the advanced capitalist countries. The lineage of this debate in terms of welfare states goes back at least to Karl Polanyi and T.H. Marshall, and to the clash of sentiments about postwar welfare development to be found in J.M. Keynes and Friedrich Hayek. As the postwar boom consolidated, rising welfare expenditures were viewed as an integral aspect of the processes of convergence attendant upon industrialization.[vi] The acute differentiation in national welfare expenditures from the 1960s on, however, suggested that socio-economic variation had become the central feature of advanced capitalism according to different patterns of political mobilization, government composition and state bureaucracies.[vii] In the work of Gosta Esping-Anderson and others, the processes of variation were conceived as distinct distributional and institutional logics such that clusters of welfare regimes could be identified with divergent implications for capitalist (and even socialist) development.[viii] With the thesis of a singular logic to industrialism completely marginalized, conceptual dispute through the 1980s largely occurred within the limited parameters of the appropriate construction of typologies, the origins and extent of variation, and the importance of variables such as gender and aging in determining key distributional aspects of welfare spending.[ix] By the 1990s, these theorizations began to appear overly burdened by a static conception of welfare state regimes in terms of levels of expenditures and policy mandates and an evolutionist view of social progress in the face of neoliberal austerity. Even the challenge posed by 'post-industrialism' served only to confirm, for most Weberians, divergence between the public service orientation of social and Christian democratic welfare regimes and the privatized services of the Anglo-American countries.

The 'new politics of welfare', however, has revived the thesis of socio-economic convergence. But in a reversal of universal welfare state advance, as capitalism became disciplined by the organizational logic of industrialism, the constraints from the new technological and global framework of capitalist markets has propelled a convergence toward welfare state retrenchment.[x] The new convergence thesis has many distinct proponents, but some interrelated propositions can be discerned. The following are most often invoked: (1) technological innovations in information, transportation and communications have extended the reach of financial transactions, lowered the costs associated with international trade and created new international production networks by transnational firms; (2) the policy decisions to deregulate national financial and currency markets as part of an overall conservative fiscal and monetary policy stance; and (3) the political decision to create new institutions such as the World Trade Organisation, the EU and NAFTA to expand free trade in goods, services and investment.[xi] As a consequence of the new global markets and institutions, national states have been compelled to increase the competitiveness of their firms and the attractiveness of their tax and welfare regimes. The political-economic space for welfare spending divergence, particularly for the distributional bargains underpinning social or Christian democratic welfare regimes, has eroded. The former degree of welfare diversity of national capitalisms is no longer viable with the new global scale of markets and institutions.

Whether the explanation for the new socio-economic context is located in terms of economic integration and market efficiencies, the scale exigencies of the new technologies or policy choices, the conclusion is that socio-economic convergence is again ascendant. For neoliberals such as Lindbeck, "the basic dilemma of the welfare state ... is that the more generous the benefits, the greater will be the tax distortions but also, because of moral hazard and benefit cheating, the number of beneficiaries."[xii] In the new global context, the inefficiencies produced by the welfare state are increasingly unbearable. For 'Third Wayists', the new technological paradigm and global marketplace have displaced national institutions. National states must now adopt lower public spending and taxes so as to maintain competitiveness, although there may well be variation in adjustment policies for employment and thus ways to redistribute 'social opportunities' if no longer goods and services.[xiii] And for the Weberians who were once optimistic about the evolutionary advance of 'welfarism' because of the social logic of de-commodification, there is a terrible gloom over the policy choices of retrenchment. In a tribute to Walter Korpi, a founder of the 'welfare state variation' thesis, the editors lament the new politics of convergence:

> In the new, more global environment, financial capital, transnational corporations, and other actors play a significantly greater role in determining what is desirable, or even possible, with little if any regard for 'strong' labour movements. This may be done purposefully or, as with the actions of bond traders, currency speculators, credit-rating agencies, and others who buy, sell, and deal in capital markets, more unintentionally. Keynesian policies, protective regulations, social programs, and other progressive distributional policies associated with the 'golden age of welfare capitalism,' thus soon were defined as market 'rigidities.' They have given way to deregulation, massively regressive shifts in taxation policy, balanced budget legislation, and the dismantling or downgrading of welfare states. In this global environment, all governments – even incumbent social-democratic or labour governments … – have much less room for

manoeuvre.[xiv]

The establishment of a general pattern of causality toward convergence is, however, a tenuous endeavour. It tends to be premised on a form of structuralism whereby changes in an external structure, such as globalization of markets or technological rationality, are projected into national capitalisms as a necessary pole of adjustment required of all other social structures. The structuralist formulation is then verified by positivistic correlation between discrete variables standing in for these larger processes. This line of reasoning has always left two questions: what caused the external structure itself to change and why should any adjustment process be uniform? As Peter Hall and David Soskice have argued, even if the magnitude of change in the world market is granted, there is little reason to expect that national variations in institutional arrangements should disappear. They suggest, moreover, that the varied institutional arrangements of national capitalisms register differential "comparative institutional advantages" that make the location of particular economic activities more advantageous in one national setting over another. The institutions that comprise national economies make a difference to global and national patterns of accumulation. Indeed, for Hall and Soskice increased mobility of capital may actually "reinforce differences in national institutional frameworks, as firms that have shifted their operations to benefit from particular institutions seek to retain them."[xv] Though firms are driven to increase their profitability either by increasing the length and intensity of the workday or by introducing new technologies, there is an array of industrial relations strategies, organizational innovations and technological fixes that can be deployed and combined. The production regimes of capitalism come, they argue, in a range of organizational configurations. Even if globalization intensifies competitive imperatives between firms and states, there is no *a priori* reason to assume that individual states will adopt any particular model of development or organizational characteristic. Thus, in opposition to a convergence of socio-economic development, there are multiple paths and distributional bargains that can be taken to secure competitive advantages.

Yet, is generalizing an understanding of capitalist dynamics from the institutional specificities of national capitialisms the appropriate conceptual abstraction to allow us to assess the changes taking place within the advanced capitalist zone as a whole? As analysis shifts from the underlying institutions responsible for differences between welfare states to the transformations across welfare states, the limitations of Weberian methodological inductivism are more apparent. The sustainability of what was previously identified as the principle of variation between national cases is increasingly, and unavoidably, having to be addressed. Huber and Stephens, for example, suggest that the key questions are "whether the pressures are more intense on the social democratic welfare state than on other types, whether these pressures are eroding the distinctive features of the social democratic welfare state, and whether there are ways to adapt the social democratic welfare state to new international and national economic conditions while preserving its central achievements."[xvi] They observe that over the last two decades "almost all advanced industrial democracies cut entitlements in some programs in this period." This should not, however, be interpreted as evidence of the end of either social or Christian democratic welfare states as in "all but two countries these cuts in entitlements were quite modest; the basic contours of the system of social protection remained intact."[xvii] Yet, the trajectory of welfare states registers a more worrying trend:

> We find that the predominate pattern is a slowdown of expansion and then a stagnation; and finally pervasive but generally modest or at least not system-transforming cuts in entitlements. Only in Britain and the New Zealand can one see large reductions, true system shifts, in the systems of social protection. However, a consistent result is the decline of partisan political effects; the agenda is by and large either defense or retrenchment of the welfare state. Expansion is off the agenda…[xviii]

This conclusion, even with all its ambiguities, maintains that the transformations of the welfare state during the 'long downturn' are only of degree and not of kind: the essential social form, patterns of reproduction and modalities of governance of welfare remain intact and are not being tendentially transformed. For his part, Esping-Anderson attributes the new constraints to “exogenous shocks that put into question the longer-term viability of the welfare state” in the form of “globalization, ageing, and family instability; a simultaneous market and family failure.” But he confusingly then states that all welfare regimes now – endogenously – confront “a severe trade-off between welfare and jobs, equality, and full employment.”[xix] The more hard-headed Torben Iversen extends this conclusion even further. There now exists a “trilemma” for social democracy “where fiscal responsibility in the sense of tight constraints on spending engenders a steeper trade-off between social democracy’s traditional goals of equality and full employment.”[xx] According to Iversen, Nordic social democrats appear to have taken the Christian democratic strategy of staving off the spectre of increased wage inequality but only at the cost of sacrificing full-employment and decreasing labour force participation rates.[xxi] This places Scandinavian social democracy between a rock and hard place: “To put it the starkest terms possible, the question for Scandinavian social democracy is whether it wants to deepen class divisions by accepting greater inequalities, or whether it wants to create a marginalized group of people, excluded from full participation in the economy.”[xxii] This, indeed, suggests a more encompassing socio-economic logic shaping comparative institutional arrangements of different national capitalisms than the methodological inductivism and traditional typologies of Weberianism can accommodate.[xxiii]

The problem for arguments of institutional divergence, then, is to account for the common constraints and imperatives that arise from capitalist development in a world market. These imperatives are not mere external relations but are internalized as part of the social logic and dynamism constructing national capitalisms and welfare states. But given the Weberian ontological privileging of autonomous institutions, the world market is understood as an ‘exogenous’ variable that is treated as an external environment to national capitalisms, without a specific logic of reproduction of its own. Hall and Soskice, for example, see “the national political economies as systems that often experience external shocks emanating from a world economy in which technologies, products, and tastes change continuously. These shocks will often unsettle the equilibria on which actors have been coordinating and challenge existing practices of firms."[xxiv] Exogenous shocks provide the impetus for endogenously generating social learning and institutional solutions. In other words, national capitalisms are treated as analytically distinct from, and not constitutive of, the imperatives that emerge from the world market rather than the internalization and producers of this socio-economic logic.

There are limitations to this conceptualization of the varieties of capitalism. Nationally based public and private actors have often been the agents responsible for the generation of the shocks and constraints that are often catalogued as exogenous to national systems. The creation of the liberalised world market, for example, required a high degree of collaboration amongst the advanced capitalist states. Yet, the processes ascribed to globalization – financial deregulation, increased competition, regulatory arbitrage, and the rise of internationally organized production systems – are conceptualized as external changes to the institutional contexts in which national systems are embedded. As Hugo Radice points out, it is not easy to determine "where 'the system' ends and 'the environment' begins."[xxv]

Even if some Weberians acknowledge that the actions taken in one jurisdiction have consequences for the evolution of others, the world market is still seen as only as a sum of individual national capitalisms and the nature of the encompassing social logic is left unanswered. John Zysman, for example, comments:

> The line of argument so far is that there are national institutional foundations of market systems that generate quite particular logics and dynamic in each case. Those national stories, moreover, cannot be understood in isolation… Crucial implications would be: (i) that different 'market' logics have long-term effects on the patterns and rates of growth of each economy; (ii) that the character of the interplay of national market logics between a country and its principal trading partners can influence the character of growth of each; and (iii) that the market logic of the dominant national economies can influence the world economy as a whole.[xxvi]

This conceptualization attempts to problematise multiple national trajectories that are intertwined and co-determining, and even hints that the world market consists of an uneven hierarchy of states. There is still, however, no market imperatives – competition, law of value, unequal exchange, comparative advantage, price equilibration, and so on – outside of these institutionally determined, nationally specific market logics. As Zysman states: "Markets do not exist or operate apart from the rules and institutions that establish them and that structure how buying, selling and the very organization of production take place. Consequently, inherently there are multiple market capitalisms."[xxvii]

This conflation of the terms 'market' and 'capitalism' evades theorization of the historically novel set of social relations specific to the reproduction of capitalist social formations and its dynamic expansionism through time and space. This is, as Strange would have it, partly a failure to appreciate commonality and to privilege difference: "most comparativists … overlook the common problems while concentrating on the individual differences."[xxviii] It also is a failure to tell us what is distinct and specific about capitalist markets across its numerous institutionalizations – a 'nested hierarchy' of space and scale – as part of an integrated world market. In other words, we need to be able to compare interacting social formations – and hence welfare states – as part of an encompassing world market that condition and transform each other through time.[xxix]

The study of cross-national variation is based upon the proposition that differences in national institutional configurations have explanatory power in determining uneven economic development and divergences in welfare regimes. Two questions are central. Are all welfare states confronted with common market imperatives? Are these imperatives transforming capacities to redistribute work and welfare and modalities of governance?

National capitalisms are comparable precisely because they share common constraints and imperatives that arise from a similar set of social relations and social logic of reproduction, that are understood in their determinations both abstractly apart from particular cases and in their concretization in specific social formations, as part of an encompassing and interacting world market. The national (and local) specificities of capitalism is derived from the fact that the spatial expansion of capitalist property relations occurs not against or apart from states, but rather is dependent upon states to guarantee the socio-economic property relations that makes the organisation of investment, production, distribution and exchange of goods and services between private actors possible. The uneven development and class conflicts forming a 'nested hierarchy' of specific institutional arrangements – from the local to the global – are both an internalization and a response to the common imperatives of capital accumulation in a world market.

This is the point of Robert Brenner's observation that to a greater or lesser extent "essentially every part of the capitalist world took part … in the unprecedented economic expansion of the epoch before World War I, was struck by the devastating interwar depression, partook of the great post-World War II boom, and has been weighed down by the structural crisis that began in the late 1960s."[xxx] The 'long downturn' encompassing all the advanced capitalist zone needs to be placed at the centre of analysis of the trajectory of national capitalisms and welfare regimes. The viability of national capitalisms maintaining differences in institutional arrangements has not been challenged by the 'long downturn'; indeed, the extra-economic powers of the state have been an integral aspect of neoliberalism and the transformations of welfare. The question is: how is the encompassing 'convergence' social logic being internalized in terms of the dynamics of production and distributional relations of welfare? As David Coates remarks, certain varieties of welfare capitalism in the current period "may be a more civilised way of proceeding, but [they are] still ratcheting down ... we have to recognize that although the institutional structures of 'trust based' capitalisms may remain in place, their substance will not."[xxxi]

2. The Long Downturn and the Welfare State Impasse

A general theory of the welfare state is, we have argued, an impossibility if it is meant by this a given set of empirical variables of prices or institutions explaining the form of the welfare state for all occasions. Employment and welfare policies are products of capitalism, within particular societies at particular phases of development. The current phase of capitalism is characterised by a long downturn in accumulation coupled with the internationalization of capital, growing insecurities in the labour market, and extensive state intervention undergoing specific forms of retrenchment.

It is important to restate that the advanced capitalist countries are still in the midst of a 'long downturn' of slow accumulation relative to the postwar boom. Growth rates in the advanced capitalist countries have fallen from about 4 per cent over the period 1950 to 1973 to less than half from 1973 to 1989 (See Figures 1 and 2). They have stagnated further since, with the partial exception of the U.S. in the second half of the 1990s (from the trough of the business cycle to the peak of an extended expansion). The U.S. has been at the heart of the world economy over both these phases of upswing and downturn in terms of the production of value. The U.S. has the capacity to employ the leading means of production in terms of mass and capability, and the flexibility of its labour markets allows extraction of longer hours of work than its economic rivals. Yet both the phases of upswing and downturn have been periods of economic 'catchup' for Europe and Japan with the U.S. in terms of average productivity levels and per capita incomes, although income closure has been more uneven due to increased hours of work in the U.S. and falling hours elsewhere (See Figures 3 and 4).[xxxii] Whereas the U.S. had productive capacity and technological capabilities coming out of postwar reconstruction that were unrivalled, today all three major zones of capitalist production lead in some sectors in terms of technology, productivity and market shares. This long-term development is indicated in many ways: market capitalization, total sales revenues, export shares, peripheral regions of sub-contracting networks, and emerging rival currency and trade zones. The competitive context today is vastly different from the configuration of the world market that supported postwar welfare expansion.

There are two characteristics that have been central to creating a new dynamic in the world market. First, despite fears of a revival of protectionism amidst a stagnant world economy, the international trade regime continues to be liberalized. A proliferation of bilateral, regional and multilateral trade liberalisation agreements now foster the 'deep integration' of national economies through the removal of non-tariff barriers and the harmonization of trade-related legislation.[xxxiii] The GATT rounds have moved beyond trade in manufactures, to provisions around agriculture, intellectual property and trade-related investment measures (TRIMs). Under the stewardship of the WTO, which replaced the GATT in January 1995, service-sector activity in particular has become the focus of trade liberalisation efforts, as trade in services has doubled over the last 10 years to reach US $1 trillion per annum, representing over 20 percent of total trade.[xxxiv] The WTO has further agreement committing member states to liberalize their markets in financial services, and the Doha Round underway proposes to open up the last protected markets such as agriculture.

Second, the liberalization of financial markets has aided the growth of enormous pools of highly-mobile short-term financial capital, uncoupled from output, trade and productive investment, which have been a major force behind the destabilization of the international monetary regime. In the 1990s, the world's financial markets became integrated on an unprecedented scale; gross short-term capital movements have grown to the point where turnover in currency markets now dwarfs the value of trade, or for that matter, the combined official reserves of the world's governments. Daily foreign exchange trading is estimated at over US$1 trillion, 50 times the value of daily trade volumes, with no sign that the pace of growth is likely to slacken.[xxxv] These development have tightened the interdependencies of the world market as money and speculative capital moves more freely between different zones of the world. It has added to market imperatives as different production zones compete for financial flows and face competitive disciplines that carry the potential to amplify economic disturbances into major shocks. The slowdown in manufacturing profits and growth has meant that returns to the financial sector have been higher. This has drawn capital into the sector and made financial capital the central allocator of credit. These processes have meant a transfer of income flows to financial asset holders away from manufactures, wage-earners and governments over the course of neoliberalism.

In this configuration, competitive imperatives and financial disciplines from the world market have been difficult to escape. With slow output growth and economic internationalization, all countries have been attempting to find outlets in the world market through control over wage and social costs in a process of 'competitive austerity'. What has provided some measure of relief has been the U.S. acting as 'importer of last resort'. The U.S. net debtor position from its cumulative current account deficits since the 1970s is estimated at some \$3 trillion as of 2002; its deficit for 2003 is estimated to come in at between \$450-500 billion, approaching the 5 per cent of GDP that has triggered payments crises in other countries. This is mirrored by a build-up of surpluses in the other two key zones, and in particular in East Asia. Even after falling some 20 per cent against the Euro since 2000, the U.S. dollar is probably still overvalued by close to a similar level to improve the competitiveness of its industry (although not necessarily to clear the current account as a low dollar did not do so in the past). Competitive imperatives are likely to intensify in contradictory ways: on the one hand, the Doha round, numerous bilateral trade agreements, the FTAA and the U.S. fast track trade authority are pushing forward trade liberalisation; on the other, trade protections are systematically surfacing, especially in the U.S. with respect to the steel, agricultural goods, lumber and autos sectors.

In this context, it has been difficult for national capitalisms to escape fiscal austerity as revenues tighten from slower output growth and market disciplines increase over tax levels, although the dynamics of distributing austerity vary significantly. It is clear, however, that the 'long downturn' led to a set of constraints and imperatives that altered the distributive dynamic toward welfare state retrenchment. These constraints are not strictly found in the quantitative extension of economic internationalization, although financialization has been important, but, rather, in the particular configuration of the world market and the pressures toward 'competitive austerity'.

Labour Market Insecurities

In the post-war period, a general commitment by the advanced capitalist states existed to mitigate economic cycles to maintain high levels of employment and income security. The high employment levels that lasted until the mid-1970s could hardly be attributed to welfare policies alone, as rapid accumulation kept labour demand high. From the 1970s onwards, unemployment levels have increased by more than three-fold across the advanced capitalist zone, and labour slack has become a significant burden. Long-term unemployment rates over the business cycles, as well other measures of labour reserves such as involuntary part-time work and withdrawal from work-seeking, suggest that labour markets are producing increasingly stiff tradeoffs between paid work and income growth, and between employment and dependency. These competitive pressures on wage and social costs can either be reinforced, which will compound the inequalities higher unemployment, or constrained depending upon the capacity to spread employment across the working class, which can be done in many ways with different consequences. There is likely, then, to be significant variations in how the increase in labour reserves from cost-cutting in a context of slow growth are registered in the labour market and welfare.

Irrespective of the quantitative changes in average levels of unemployment important qualitative shifts have taken place, for example, part-time and non-standard forms of work have been increasing. These developments have been reinforced by restrictions in access to social benefits and decreasing benefit rates.[xxxvi] Even though some countries may experience a decrease in unemployment, the quality and security of employment may have decreased steadily over time, serving the same function as unemployment in increasing the rate of exploitation to restore competitive capacities. The U.S. has managed to constrain the growth in the level of unemployment during the 1990s, although it is still above postwar levels; similarly, in the

Netherlands average annual levels of unemployment have declined from their peak during from 1980-85 (See Figure 6). But in both cases inequalities have been reinforced in new ways: in the U.S. long-term wage compression and the spread of low-waged service sector work has been a central labour market dynamic; while in the Netherlands all kinds of contingent work have flourished and incomes spread amongst the 'inadequately employed'. In contrast, Japanese and Swedish unemployment has increased fairly consistently since the 1970s from a position of extremely limited labour reserves (although each had specific participation and dependency ratios that were unique). The unemployment rate in Japan has risen consistently over time, with labour reserves continuing with the persistence of the Japanese deflation. Sweden has experienced a massive increase in unemployment during the 1990s, particularly as public sector employment growth stalled. These labour market developments has produced cumulative divergences between these countries, but all reflect the inegalitarian distributional dynamic of neoliberalism.

There are many interpretations of the interaction of increased labour reserves, activity rates and coercive pressures towards paid work (See Figures 7 and 7A).[xxxvii] The timing of the increases in labour force participation and activity rates coincide with the economic slowdown. This suggests the degree to which increases in labour market participation may, paradoxically, be a response to labour market slack and a new context of inegalitarianism. Working class households find it necessary to take additional paid employment to replace income lost due to wage compression, the unemployment of family members or reduced benefit levels.[xxxviii] The competitive imperatives operating in the labour market tend to make working class livelihoods more linked to waged-labour.[xxxix]

<u>Fiscal Austerity</u>

The competitive imperatives from the 'long downturn' and the varied forms of increasing exploitation in the labour market have been internalized into the distributional politics of work and welfare policies. The central issue is whether welfare retrenchment is merely one of degree or of kind.[xl] With rising unemployment and inegalitarian trends prevalent in the labour market, even stable expenditure levels in terms of total output are suggestive of declining 'welfare state effort'.

The restraint on the quantitative aspects of the state is one indirect measure of declining welfare state effort. State revenue levels in terms of total output and per capita have been slipping steadily since the mid-1970s, as tax competition has increased and nationalized economic sectors privatized (See Figure 9A). As revenue growth has stalled and labour market insecurity increased, government expenditures have been effectively squeezed, although the timing of the slowdown varies considerably between states (See Figure 10A).

A second indirect measure of retrenchment is government employment levels (See Figure 8). Outside of Sweden, there is a clear general retreat in public sector employment levels. In both the U.S. and Japan, public sector employment as a share of total employment declines from the mid-1970s onwards.[xli] In the Netherlands, the state sector began a period of retrenchment in the 1980s, coinciding with unemployment levels hitting their peak. Regardless of the particular timing and severity of the cuts, public sector employment as a share of total employment either decreased or stagnated during the same time periods that unemployment was increasing.

These developments help contextualize declining overall dependency ratios (See Figures 12-12A). With expenditure restraint, benefits levels for welfare recipients have become more stringent; qualification requirements increasingly place emphasis on participation in paid labour markets as a mandatory condition of access to welfare. As more individuals attempt to meet minimum employment qualifications demand on public spending decreases. Guy Standing refers to this process as "creeping disentitlement."[xlii] The effects of the overall decrease in the level of welfare state effort has not only been increased employment insecurity but also increased levels of income inequality. In assessing the declining welfare state effort, Jonas Pontusson has commented that the "pervasiveness of recent inegalitarian trends is indeed striking."[xliii]

3. Trajectories of Workfare

There has been an uneven diffusion of the modalities of workfare during the austerity of the 'long downturn'. The U.S. has historically emphasized 'work with residual welfare' in that distribution has been centred on market incomes with an emphasis on insurance for labour market insecurities and means-tested assistance. The workfare strategy has been transformed into a process of 'punitive austerity' in which market incentives have been strongly enhanced and coercive regulations invoked to compel labour market entry. In Japan, the centre of distributional relations, including welfare, has been the firm, with an emphasis on 'welfare through work' with few benefits provided at the state level, and a modest range of insurance mechanisms for protection against labour market insecurities. Workfare here initially accommodated increased competitive pressures through 'spreading work' inside the monopolistic sector, but has increasingly moved to 'rationalized austerity' during the long deflation through labour shedding and restricting insurance benefits.

In the Netherlands, market-constraining strategies have played a greater role, but mainly in the form of maintaining 'welfare apart from work' with more inclusive welfare programmes that are more targeted and that support a strongly segmented labour market and separation of households. The modalities of workfare have worked through a process of 'liberalized austerity' in which there is increased labour market participation through more market based incentives to work alongside measures to support inactivity at minimal support levels. Swedish strategies historically linked 'work and welfare' through redistributional universal programmes financed with higher tax loads and by extensive labour market programmes to support the competitiveness of lead sectors. There has been an exit from this strategy as market-enhancing reforms diffused across the state sector, social spending increasingly focussed on transfers rather than state provision of services, and work discipline for the dependent population received emphasis. The modalities of workfare here, therefore, have taken the form of a 'shared austerity' since the 1990s in ‘spreading entitlements’ across the range of the welfare state, after a period of ‘spreading work’ in the initial response to economic slowdown during the 1980s.

The United States

The U.S. has served as the competitive pole in the world market for more than a century. One of its dynamic sources has been the flexibility of its labour market, which has provided wide latitude for employer restructuring, larger degrees of wage dispersion, minimal degrees of union organization and almost an infinite supply of labour from migration. This has meant an orientation to ‘work with residual welfare’, with an emphasis on market incomes, selective entitlements and insurance based income security. Welfare retrenchment has undergone a transformation along these lines, with reform largely taking the form of ‘punitive austerity’. Some of this has been reflected in the compression of market incomes since the 1970s, with average wages on a steady drift downward for much of this period. The real wage growth that has occurred since 1995 reversed some of the decline, but still pales in comparison to the real annual wage gains across the postwar period. This has also often come at the cost of work hours, with U.S. workers now working significantly longer than in any of the other advanced capitalist states. The high employment figures conceal as much as they reveal: the growth of involuntary part-time work, underemployment, and contingent work all serve to increase labor reserve pressures impacting on labor effort and the rate of exploitation. The upswing during the late 1990s eased these pressures, including testing the new direction of welfare, but sustained low growth will push the punitiveness of the new policy more directly.

If the key modality to neoliberal regulation of work in the U.S. was the restructuring the wage relations of market incomes, the Reagan presidency also launched a significant challenge to welfare policies as well, with the Budget and Reconciliation process of 1981 beginning a long process of programme cuts and means-testing of welfare entitlements while introducing across-the-board tax cuts that favored high income earners. The central shift, however, came with Clinton. The earned income tax credit of the his first term increased incentives for taking low-waged work. But key legislation reforming welfare and extending the modalities of workfare was the 1996 Personal Responsibility and Work Opportunity Act (or Welfare Reform Act), which placed two year time limits for the able-bodied to be on welfare and life-time limits for recipients, effectively making work and welfare even more wholly a punitive individual responsibility.[xliv] The Welfare Reform Act significantly modified the federal government's commitment to take a lead in funding and administering social development policy as it had undertaken to do since the creation of the Aid to Families with Dependent Children (AFDC). Given that the AFDC was designed as a cash assistance programme for poor families and was organized as part of the historic Social Security Act of 1935 these changes mark a parametric shift in the federal governments commitment to welfare. The Act's major behavioral modification solutions to allegedly widespread welfare dependence were measures that induced aid recipients to work by cutting income and food assistance, limiting the duration of assistance availability, and requiring aid recipients to find jobs, even if these jobs pay less than the value of assistance programs. All in all, the new model of combating poverty in the U.S. entailed approximately $55 billion in cuts over six years to food and cash assistance programs that serve low income individuals and families.

The largest single portion of the acts savings for budget balancing came from $27.7 billion cuts in food stamp programs over the 1997 to 2002 period.[xlv] The full implementation of food stamp cuts resulted in a 20 percent reduction in average food stamp benefits, from 80 cents to 66 cents per meal in 1996 dollars. Perhaps the most severe single provision of the Welfare Reform Act is that which limited food stamp benefits to three months out of a thirty-six month period for 18 to 50 year old unemployed individuals not caring for minor children. Hardship exemptions for those whose search for employment, no matter how well-documented, was fruitless. The Congressional Budget Office estimated that under this provision, in an average month, about one million job-seekers, many of them women, were denied food stamp benefits.

In 1994, the federal government called a family of three persons poor if it received $11,817 or less annual pre-tax income. Due to varying state government determinations of income and assets, in 1994 in 21 of 50 states, a family of three earning more than half of federally defined poverty incomes was ineligible for Aid to Families with Dependent Children (AFDC), the major income assistance program. In 1994, about five percent of the U.S. population received some AFDC funds, a figure that was unchanged since 1972. In 1996, two-thirds of the 13 million AFDC recipients were children. The total value of benefits was estimated to be 69 percent of the income received by a family determined to be poor according to the official definition of poverty. The purchasing power of cash and food stamp assistance benefits for a family of three fell by 27 percent between 1972 and 1993.[xlvi]

The Welfare Reform Act eliminated the AFDC program and converted AFDC monies into Temporary Assistance for Needy Families (TANF) grants for state governments to administer as they saw fit. Under TANF, there were no guarantees of assistance to poor families, as states may define need however they wish, and establish various definitions of need in different parts of each state. Subject to federal review, states were allowed to withdraw from assistance programs or use up to $40 billion of the block grants for other purposes between 1997 and 2002. Nobody was to receive TANF funds for more than 60 months during his or her lifetime. This time limit, when combined with work requirements for different categories of TANF recipients, pressures them to take jobs that will likely pay less than the value of their former welfare benefits. TANF recipients whose youngest child was more than one year old had to perform paid or unpaid work after receiving 24 months of TANF benefits. However, states may require recipients to work immediately upon receipt of benefits, as is the case with proposed Minnesota welfare rules for two-parent families where single-parent families received six months of benefits before the recipient either finds a job or faces a 25-35% cut in TANF benefits. The Welfare Act gradually increased both the state's percentage of TANF recipients and the number of hours they had to work, in order for states to receive full TANF funding. In 1997, 20% of single mother families had to be working at least 20 hours per week; by 2002, 50% had to be working at least 30 hours per week. States were not required to provide for child care and transportation costs, as mandated by previous work requirements in welfare legislation. Other population groups directly affected by this federal budget balancing legislation were the ones that could not vote -- children and legal immigrants. The Welfare Reform Act affected children by reducing already sub-poverty benefits to their parents and establishing work requirements while cutting funding for child care and providing no subsidy for the public transportation that many poor people need to get to work. The Urban Institute estimates that as a result of the new legislation, the number of children in federally defined poor families were to increase by 1.1 million. Legal immigrants eligible for welfare received $22 billion in cuts to push them into the workforce.

Historically the U.S. has been one of the least robust of the advanced capitalist welfare states. The trajectory of neoliberal restructuring in the U.S. from Regan on, has been one of further engineered social insecurity. This in large measure has to do with the role the flexibility of its labour markets plays in facilitating the competitiveness of its firms by providing wide latitude for employer restructuring. Yet welfare retrenchment has taken a decidedly punitive turn which extends beyond merely aiding flexible adjustment. Reforms undertaken during the Clinton terms mark a fundamental change in the federal government's commitment to nation-wide social security by downloading costs and regulatory prerogatives onto states. Hence the residual federal welfare state gave way to peripheral welfare states characterized by reforms designed as much to aid competitive adjustment as they were to lock in 'punitive austerity' as a model of welfare provision.

Japan

In terms of welfare state retrenchment, Japan is somewhat unique not in the least because

Japan was in the process of developing its public welfare system at the same time as the general slowdown began to set in. The public provision of services, moreover, has always remained relatively low in Japan compared to other advanced capitalist states, as welfare provisions were extensively linked to work at a particular firm. It was only in the early 1990s that government expenditures as a share of GDP exceeded, for example, that of the Netherlands. This had a lot to do with the collapse in GDP growth, rather than with any new commitment on the part of the Japanese state to provide stronger social security programs and shift from 'welfare through work'. In Japan the process of incorporating the modalities of workfare must be analysed primarily in terms of: the timing of the move to expand the public provision of welfare benefits; changes by the government in regulations that govern the provision of social security benefits by private firms; and the decreasing commitment of both the private and public sector to maintaining employment.

The initial phase of retrenchment in Japan was managed through negotiating austerity, with workers in the monopoly sector agreeing to moderate wage and benefit demands in exchange for greater job security provisions. At the same time, the state introduced a modest package of expanded public sector welfare programs.[xlvii] Essentially the trade-off involved higher income inequality for job security that was in turn to be mitigated by an expansion in public benefits. This price, profitability and security compact held up until the end of the 1980s with the open unemployment rate gravitating around two-and-a-half per cent. This held up through the expansion of the 1980s as Japan grew faster than the rest of the advanced capitalist zone, but it was bound to suffer strain with any slowdown.

Indeed, with the collapse of the Japanese economy in the 1990s, the second phase of 'rationalized austerity' began to undermine employment security which had been provided by the Japanese state and the large firms. Although expenditure figures indicate the Japanese state has maintained fiscal stimulus to avoid an even sharper deflation, by the latter half of the 1990s the open unemployment rate had increased almost threefold from 1970s levels. Two factors have contributed to increases in the open unemployment rate. Although the Japanese state was committed to stimulus via expenditures this has not been in the form of increased public sector employment. Rather, public sector employment, which was already low in comparison to other advanced capitalisms, has decreased as a share of total employment since the mid 1970s. Second, by the mid 1990s Japanese capital began shedding their internal labour reserves in an attempt to maintain their international competitiveness.[xlviii] Moreover, Japanese firms have been engaged in a sustained process of internationalising their production by moving an increased proportion of plant to off-shore locations across East Asia.[xlix]

Along with increasing levels of open unemployment as firm based employment guarantees were revoked, several qualitative changes to the regulation of labour markets have been instituted which reflect the integration of the modalities of workfare into Japan. In terms of the unemployment benefits system,[l] changes in the mid-90s have been important markers of increasing work incentives and restrictive eligibility. For example, with new amendments to the unemployment insurance scheme workers must have worked for at least six months during the year preceding unemployment. Moreover workers who were dismissed by the employer must wait one week after losing their job in order to begin receiving benefits in contrast to a-three-month period for those workers who have left their jobs voluntarily without good reason or for those who have been dismissed for gross negligence. Further, newly unemployed workers must demonstrate their intention and capability to work by registering at a public employment office and attending any vocational training that it recommends. Additionally, for workers over the age of 60 with more than five years in the insurance program, the benefit is limited to a maximum up of 300 days. Moreover the replacement rate has been restricted to between 60 and 80 percent of average wages (excluding bonuses) depending on various assessment criteria.

Caution must be exercised when in interpreting some the changes made because on the face of it some changes appear to work counter to the logic of “flexibility” particularly with regards to how flexibility has been engineered in other national jurisdictions. Indeed with the further set of revisions to the unemployment benefits system enacted in 2001 a contradictory logic seems to be at work. On the one hand, the minimum annual salary required to join the system was abolished to encourage part-time and temporary workers to participate: benefits were increased for those who lost their jobs through bankruptcy or dismissal from 90 to 180 days and the benefit period for those between the ages of 45-49 years that became involuntarily unemployed was increased. On the other hand, these progressive changes were matched by a series of punitive changes: premiums were increased from 0.8 percent of the total wage bill to 1.2 percent, a greater differentiation among recipients concerning the duration of benefits according to the reasons for giving up a job was instituted and there was a reduction of the duration in benefits to 90 from 180 days for those who have taken permanent retirement. Along side of these changes incentives were introduced to encourage the unemployed to find a new job quickly, including changing the methods for calculating re-employment allowances to those who have found a new job quickly and raising the subsidies for educational training. Clearly then there are multiple logics driving restructuring in Japan, i.e., the logic of budget balancing sits along side the logic of flexibility and the logic of rationalising the core sits along side the logic of 'modernizing' the conditions in peripheral labour markets. Workers who comprise the labour reserves for the unprotected, non-monopolised sector have been given greater access to social security while those workers who are within the protected core are treated to a combination of 'carrots and sticks' in the quest to find the right policy mix for flexibility.

With the bulk of jobs provided outside of the protected core and increasing participation of all Japanese workers in the non-monopolistic sectors it is tempting to read the changes taking place in Japan as the winding down of the protected core and the beginning of the universalisation of the unprotected sector as the new model. Amendments to the Labor Standards Law of 1987 in 1996 and later seem to indicate that this is indeed the trajectory being established:[li] The statutory annual paid leave was changed such that the minimum entitlement was raised from 1 to 10 days. Reduction of the normal working week from 48 hours to 40 hours which was fully implemented at the beginning of 1997 was later revised via the Revisions to Labor Standards in September of that same year which allowed employers the right to schedule ten-hour days rather than nine-hour days and 52-hour weeks instead of 48-hour weeks within a negotiated annual total.[lii] This was complemented by changes made to the regulation of overtime where a limitation was placed on the maximum overtime hours for women workers other than managerial and professional staff to 6 hours a week and 150 hours a year for production workers 24 hours every week and 150 a year for clerical workers with male workers were being entirely excluded from the regulation. Obviously then there is a move within in Japan to modernize labour standards within the unprotected sector, although along highly selective and gendered lines. But all of these changes must but read in the context of the slow dismantling (not extension) of robust job security rights which had once characterized the core sectors.

There is a continuity in the Japanese system in the provision of welfare through work to workfare in that there is an accentuation of dependency on work, while at the same time breaking the old employment system to increase labour market flexibility. In Japan, the modalities of workfare have, therefore, two central dimensions. First, firms have achieved greater internal flexibility in terms of their ability to shed their internal labour reserves, offer non-standard employment contracts, and to schedule longer working hours. Second, Japanese firms have also attained greater external labour market flexibility through increased labour market reserves in the form of higher unemployment and through their ability to locate manufacturing off-shore. In sum when the changes to the regulation of labour markets are coupled with a relative abandonment of the maintenance of high employment levels in monopolistic firms, the variety of neoliberalism in Japan expresses itself in the form of increasing labour market flexibility, growing income inequality and employment insecurity, and an increasing dependency of individuals on access to paid labour.

The Netherlands

The Netherlands emerged from the recession of the early 1980s as a case of mass unemployment disaster, with rates rising to over 15 percent. After a period ending in the mid-1970s, when it had been catching up to the US, per-capita growth in the Netherlands stalled. The Netherlands also had one of the lowest per-capita growth rates among the industrialized economies over the period 1979-1992, and it has remained weak. With weak productivity growth since the 1960s, the constraints on income growth have been severe, and thus competitive imperatives to reduce wage and social costs equally severe.[liii] The Dutch strategy of 'welfare apart from work' has had the effect of encouraging 'non-activity', though with greater redistributional measures within the working class to limit inequality.

Dutch employment growth in the 1980s, much of it low-wage part-time service jobs, has cut employment in half; however, this owes more to attempts to reduce the supply of labour via early retirement, disability and illness plans than it does a genuine return to full employment as had once been conventionally understood.[liv] As a consequence, the Netherlands has among the lowest proportion of its population in the OECD working. The high level of historical support for the inactive population with long-term benefits with what had been a high replacement rate, combined with the relatively large proportion of the unemployed who are long-term unemployed, has put a high degree of pressure on the welfare state and the state's fiscal resources. The burden of carrying the inactive population rested predominantly with workers rather than employers.

It is within these severe constraints that a crisis emerged over the direction of work and welfare policies. The co-ordinated system of wage bargaining had already begun to suffer as a consequence of high unemployment, economic slowdown and tighter government revenues, and government imposed wage restraint in the 1970s. Through the 1980s, central agreements entailed wage restraint in an attempt to maintain employment levels and competitiveness. This process in effect began a process of accommodating neoliberalism; accommodation became even more aggressive as unemployment shot up and a coalition government of the Christian democrats and the social democrats moved to increase work incentives and activity rates. A process of 'liberalized austerity' has ensued with both fiscal and monetary positions being kept tight, while the modalities of workfare pursued across a wide range of policies. The Dutch variety of neoliberalism has sharply cut recorded unemployment rates through wage restraint, contingent work increasing significantly in the service sector, some measures of job-sharing and increasing activity rates to some degree, although labour reserves and dependency rates remain high.

A number of measures illustrate the integration of workfare strategies across the labour market. For example, there has been a concerted effort to reduce the generosity of income-support and other labour market measures that attempted to limit downward wage flexibility: In particular, there has been a severing of the link between the level of social benefits and the minimum wage. The minimum wage was itself linked to the average growth in the private sector with the 'linkage law' of 1979. This linkage between social benefits and wages in the private sector was abolished in 1983. Moreover, benefit levels were cut by 3 percent and then were nominally frozen until 1990. Although the minimum wage and social benefits were again linked to wage growth in the private sector in 1990 and 1991, however, in 1992 the link was made conditional by giving the government a right not to be obliged to respect the full linkage if there were 'excessive' wage growth; or if the number of social security beneficiaries increases to the extent that a significant increase in the rates of taxes and social security contributions is needed. Simply the policy was tailored to allow the economic and employment cycle to dictate the operative constraints of the link. In 1993 and 1994, social benefits were frozen in nominal terms, along with the minimum wages. By 1995, the gross legal minimum wage was lowered relative to the gross average wage from 66 percent in 1984 to 54 percent.[lv] This was in good measure accomplished by the encouragement the government gave for the creation and use of both bottom pay scales that are close to the legal minimum wage, and 'opening clauses' that allow workers to be paid below the minimum wages set in collective agreements.

A number of measures have been taken to reduce targeted assistance schemes that increase work inactivity as well. In 1984 disability supports were cut from 80 to 70 percent of the last earned wage and nominal benefits were frozen until 1990. In 1991 the government initiated a major policy overhaul in the system of social protection with a special focus to the question of disability scheme. The package included financial incentives to discourage the use of the sick and disability schemes by both employers and employees.[lvi] Further there was a reduction in the generosity of the disability system (with benefits at the level of 70 percent of last annual earnings limited to a fixed number of years, and then declining to only 70 percent of the legal minimum wage plus an additional age-related allowance). These benefit reductions were complemented by more stringent access requirements. Control of sick leave and access to the disability scheme was restricted by redefining the notion of 'disability' and obligating those below 50 to be re-examined regularly, and if only partly disabled, they must accept 'normal' jobs.[lvii] Moreover, the period during which new claimants receive a full benefit was substantially shortened; and the relationship between the replacement ratio and the number of years the claimant has worked was made less generous. [lviii] Most recently a new law was introduced in January 1998 to curb the number of disabled further: The new regulation is based on a system of premium differentiation – based either on actuarial risk or past experience - between firms in accordance with the relative incidence of disability, thus introducing a form of experience rating. Significantly the new law also empowered employers to partially opt out of the public disability scheme by taking out private insurance to cover the relevant risks.

Measures taken to curb the expansion and cost of dissability were matched with increasing tightening of sickness-leave benefits. The original sick-leave scheme was a uniform insurance arrangement in each sector. In the first stage of reform, enterprises with fewer than 15 employees were required to continue the payment of wages during the first two weeks of sickness; since 1994, larger companies have been required to do so during the first six weeks since 1994. Employers were restricted in payments above the statutory 70 percent replacement level by the Industrial Insurance Boards. The new scheme also made it easier for enterprises to completely opt out of the public sick-leave scheme. In the second stage, the full privatization of sick leave insurance, with small exceptions, was undertaken. Employers have continued to pay wages for their sick employees for a full year after which sick employees move to the disability scheme since March 1996.

Outside of reforms to the minimum social wage/income, disability and sickness provisions the restructuring of social security insurance was taken up directly in 1996 when significant changes were made to the social assistance law that had been introduced in 1965. The main goal of the original law was to assure a subsistence income for those who were no longer entitled to other social insurance benefits. With the revisions in 1996 restrictions were placed on the exemption of workers looking for work to single parents with children younger than 5 weeks with a possibility of granting temporary exemptions for special and medical reasons by local authorities. This was matched with a tightening of eligibility criteria and procedures, by allowing local authorities the discretion to grant a benefit only if a specific number of requirements have been fulfilled. All of these changes took place within the context of a rationalised benefit structure which established three benefit levels nation-wide with the provision for a limited variation between municipalities. In practice this meant that the benefit level for families was kept equal to 100 percent of the net minimum wage or the so-called social minimum. Single parents were to receive 70 percent of the social minimum where singles (including persons in other types of households) were to receive 50 percent of the social minimum. There is, however, a possibility that the benefit level in the last two cases can be increased by 20 percent of the social minimum if a claimant cannot share living costs. Additionally, the local authorities obtained some discretion to grant additional allowances of up to 20 percent of the social minimum to other single parents and singles.[lix]

All of the changes in public social security were buttressed by the reregulation of privates sector labour relations. In January of 1999, the Flexibility and Security Law was introduced. The aim of the law was to promote the use of working contracts, and increase both employment with a limited duration and with a variable number of working hours by changing the rules on renewal of fixed term contracts such that after a minimum of two renewals in three years the employee is assumed to have a permanent position. The law also covered employees of temporary work agencies and gave them the right of a permanent contract after three consecutive contracts with the agency. However an exception clause was introduced for the first 26 weeks, when temporary contracts are not automatically converted into permanent ones. Additionally, the Flex Law also shortened the dismissal period for temporary and permanent workers if workers do not object being dismissed whereas in the old system, the approval of the Regional Director for Public Employment Services (PES) or a court decision was required in to dismiss an employee. The new law, therefore, was designed to shorten the dismissal procedure at the PES.

With hindsight it is possible to discern two phases of restructuring in the Netherlands. Through the 1980s, adjustment was carried by the employed via central agreements that entailed wage restraint in an attempt to maintain employment levels and competitiveness. The second phase began when the coalition government of the Christian democrats and the social democrats moved to increase work incentives and activity rates. These measures served to initiate a process of ‘liberalized austerity’ which broke in fundamental ways with the previous welfare model of ‘work outside of work’. Austerity was maintained through strict monetary and fiscal policies, while the modalities of workfare were pursued across a wide range of policies.

Sweden

The particular logic embedded in the Swedish form of social democracy was premised on relatively high and stable levels of economic growth fuelled through a competitive export sector which attempted the dual pursuit of increasing equality along side high employment security.[lx] These normative egalitarian commitments were supported through institutionalised forms of centralised, solidarstic wage bargaining, an accommodative monetary and fiscal regime, and the expansion of a comprehensive and redistributive welfare state linking 'work and welfare'.

Caution must be exercised, however, in the interpretation of the of the rise of the Swedish welfare state. With the exception of Japan, Sweden's GDP per capita growth rates outpaced other advanced capitalisms until the early 1970s, but from then on Swedish growth and productivity levels have consistently underperformed other advanced capitalist countries. The expansion of the Swedish welfare state continued apace until the mid-1980s. For example, government employment as a share of total employment and government revenue as percent of GDP expanded until the mid 1980s. As well, growth rates of expenditure per dependent outpaced growth of GDP per capita until the mid 1980s (see Figure 11A). In sum what makes the Swedish case stand-out, particularly from both the Dutch and American cases, is the degree to which welfare state expansion remained firmly on the agenda until the mid-1980s in the initial response to the 'long downturn'.

Since the late 1980s, austerity measures have been extensively introduced in Sweden which intensified with the onset of the severe recession of the 1990s. What has often been interpreted as a minor episode of retrenchment, must be treated as an important exit from the traditional universal welfare state and the reduction in Swedish 'welfare state effort' from the mid-80s on.[lxi] The important shifts in social security programmes in the direction of new modalities of workfare, however, have taken place in the latter half of the 1990s.

In the revised Social Service Act of 1998, local governments were given the right to demand participation in training or work activities from the recipients of social assistance. This was justified under the official rhetoric of the need for individuals to be self-reliant. Those who refused to participate in or quit programs were either denied benefits altogether or had their benefit rates cut.[lxii] The Responsibility of the Municipalities Act for Young People between 20 and 24 Years Old*,* which was passed 1998 targeted young unemployed people who were entitled to unemployment insurance, social assistance, or to no benefits at all. In the legislation, those who are without any work-like activity, or training after 90 days were to be offered a place on a municipal work scheme or a competence-development program for up to 12 months. Those receiving these benefits are obliged to accept any offer given at penalty of losing their benefits.

In addition to the tightening of qualification standards important changes in benefits rates were introduced. Local authorities can now require unemployed people to work for their welfare on terms that are inferior to equivalent work offered in the labour market. Moreover, there are discrepancies between the incomes received by different beneficiaries of this scheme. They have the same duty to participate in work activities, but not the same right to remuneration. Those entitled to unemployment benefits receive 80 percent of their former income as payment, those neither entitled to unemployment insurance nor social assistance receive much less (around 2000 SEK per month). The compensation levels are no longer related to wages on the labour market, but to replacement levels in the social security and social assistance systems. And as is the case with US workfare, the work activity does not qualify the recipient for unemployment insurance, sick relief or increased old-age pension. Significantly, in 1998 Sweden passed welfare reform legislation which further restricted the payment of the universal basic amount to people with no or low employment activity

According to the OECD *Economic Survey* of 1998, work incentives improved significantly in the early 1990s with the implementation of the 1990/91 tax reform and the gradual reduction of replacement rates in social insurance form 90 to 75 per cent. But reflecting the emphasis derived from the underlying principles to the consolidation process, the expenditure cuts and tax increases were to be balanced to ensure that sacrifices were shared equally by the population. This trend was reversed with the introduction in 1993 of an employees' social security contribution, rising to 7 percent by 1998. Moreover, the Employment Bill proposed a partial reversal in the fall in replacement rates, to a level of 80 per cent. Incentives to effective job seeking were nevertheless to be maintained by the introduction of upper limits to the duration of unemployment benefits, by stronger sanctions to ensure job availability, and by a concentration of the resources of Employment Offices on the long-term unemployed. Employment protection legislation was also modified to facilitate enterprises' hiring decisions.[lxiii]

The Employment Bill included a reform of the Unemployment Insurance System, which was to enter into force in January 1997. Eligibility criteria were tightened and an upper limit of three years on the duration of UI benefit was introduced. The intention was to offset the effect of the increase in the replacement rate. However, the act was repealed before it was to enter into force, and the revised proposal forwarded in March 1997 contained several modifications. While the increase in the replacement rate was maintained, the qualifying period was increased from five to six months instead of nine months. Most importantly, the proposal for an upper limit of the duration was dropped. In addition the underlying structure was changed, the UI benefit now consisting of an income-related part and an income-independent part and thereby integrating the separate cash benefit for unemployed not yet UI-fund members.[lxiv]

There has traditionally been a strong means-testing system in Sweden with wide given to municipalities to adapt rates to local circumstances. In practice, this serves to limit the use of the high reservation wage implied by social assistance and limit the impact on the local labour market. In the amendments to the Social Services Act in 1997, municipalities were allowed to apply local cost norms to a limited number of items, thereby restoring some semblance of nationwide minimum wage norms. In mid 1996, the government tabled a set of proposals which were subsequently adopted by Parliament. Not only was the length of notice periods determined on the basis of tenure and not of age, implying that the costs of hiring older workers would fall relative to other groups but enterprises' rehiring obligations vis-a-vis laid off workers would expire after nine instead of twelve months. Moreover, enterprises regardless of type or size were allowed to offer twelve-month fixed-term contracts to five persons and new establishments were allowed to extend the contracts to eighteen months. These changes were somewhat balanced by giving part-time workers priority to fill vacant full-time positions and workers on replacement contracts for three years within a five-year period were to be awarded permanent contracts.

The Employment Bill aimed to refocus the activities of the Public Employment Service (PES) towards job-matching in the labour market, with vacancies to be filled more rapidly and long-term joblessness to be reduced. Job-placement efforts are underpinned by individual action plans for job seekers, detailing the measure to be taken on the part of both the unemployed and the local Employment Office. The explicit goal is to promote reintegration in the labour market by providing active labour market programs and other education and training efforts. The 1996 Employment Bill constituted a concerted effort to improve the flexibility of the Swedish labour market. Most proposals were implemented by 1998, the major exception being the abandonment of the upper time limit for unemployment benefits. In many respects Swedish labour market policies are at an impasse. The government has now turned in the direction of relying heavily on education and training - specifically policies to promote adult and tertiary education.

Taking all of these changes in to account the periodisation of the Swedish welfare state, therefore, needs to be understood in terms of three phases. The first phase was characterized by strategies that linked 'work and welfare' through redistributional universal programmes financed with higher tax loads and by extensive labour market programmes to support the competitiveness of lead sectors. The second phase was characterised by stagnation and in some areas mild retrenchment. In the third and contemporary phase there has been a significant move to a strategy based on market-enhancing reforms diffused across the state sector, social spending increasingly focused on transfers rather than state provision of services, and work discipline for the dependent population has become increasingly emphasized. The modalities of workfare, therefore, have taken the form of a 'shared austerity' of 'spreading entitlements' across the range of the welfare state since the 1990s after a period of 'spreading work' in the initial response to economic slowdown during the 1980s.

4. Varieties of Neoliberalism

The neoliberal ideology that 'there is no alternative' to liberalized markets and capitalism has led to an ambitious conceptual effort by Weberians to demonstrate the varieties of ways that capitalism is institutionalized in national formations. This endeavour has also been a search for egalitarian alternatives within capitalism capable of improving social welfare while respecting the competitive imperatives of accumulation. Two decades of neoliberalism has made it difficult, however, to point to a 'model of capitalism' that has escaped from mass unemployment, a deterioration of workers' living standards, or both. Despite initial socio-economic divergence during the restructuring of the 1980s, slower output growth and international capitalist competition has intensified the capitalist imperatives of reducing labour and social costs and thus constraints on the redistributional dimensions of the welfare state and its modalities of governance. Across the advanced capitalist countries a new socio-economic dynamic is registered in the competitive imperatives from the 'long downturn' and economic internationalization, transformations in national patterns of reproduction in terms of the labour market and fiscal austerity, and new modalities of work and welfare policies. It is these more abstract determinations of the social logic embedded in this phase of capitalism as a whole that needs to be explored alongside the transformations in the concrete socio-economic property and distributional relations of the different social formations that comprise its parts. This should be, this paper has contended, centrally a concern with the patterns of reproduction and social rule specific to neoliberalism, the varieties of institutionalization of the social forms of market-enhancement in the advanced capitalist countries, and, in terms of work and welfare policies, the specific trajectories of workfare.

Analysing the 'varieties' of welfare states, or indeed the more generalized models of capitalism, without the 'encompassing comparison' of the social logic of the world market produces 'generalizations' out of empirical 'specificities'.[lxv] That is, against the abstract-logical claims of neoliberals that deductively universalize market exchange relations to produce a singular efficient pattern of development, capitalism is empirically theorized as "an 'institutionalized' order, in which the normal functioning of both exchange (markets) and command (hierarchies) is 'embedded' in institutions and practices .... in a world of limitless institutional variation."[lxvi] The ideal-types of these institutionalizations are then associated with economic performance for which generalized contentions are made about techno-organizational rationality, the principle of variation between different cases, and idealized paths of development that work and welfare policies should attempt to emulate. Ian Gough, for example, goes so far as to argue that "the general goal to which all need to direct themselves is a welfare state which gives due weight to 'productivist' considerations. In this sense the Scandinavian welfare state still comes closest to a rational solution."[lxvii]

The problem with the Weberian methodological orientation of beginning with empirical specificities to form ideal-typical institutional regimes to make general theoretical claims about capitalist development is that it inevitably rests on teleological assumptions about the nature and evolution of rational organization consistent with technological advances occurring in the sphere of production. Specific welfare states are held up as 'advanced', and by implication, other welfare states are in need of 'modernizing' to maintain a given path of social development consistent with the new production regimes forming around emergent technologies.[lxviii] This tends to elide, on the one hand, the specific conditions and class conflicts of the societies being presented as models which allowed these 'institutionalizations' to adhere in the first place; and, on the other, to presume that these 'models' are insulated from the specifically capitalist imperatives, both internally in distributional and productive struggles and externally in the world market, that are integral to the reproduction and transformation of these institutions. Some aspects of specific capitalist economies are slighted while other features and functions are generalized as "abstract organizational standards which can then be applied as techniques and typologies free from cultural or national contamination."[lxix] It is not, however, an organizational characteristic of a 'model' of capitalism that is being adopted elsewhere that is universal, but a concrete social logic, abstract as it may be to initially conceptualize, that is being embedded in time and space in particular ways. Thus,

> If one takes seriously the manner and degree to which, not only the broader framework of social-property relations, but also the nature of the world economy, shapes local processes of capital accumulation, the project of conceptualizing the history of capitalism as a progression of institutionally determined, nationally situated modes of development appears even more problematic. This is because the given international distribution of productive power will have a central role in determining what institutions are even viable within national economies at a given historical juncture, as well as what will be their effect on capital accumulation, since, unless they are shielded in some way, these institutions must directly respond to international competition.[lxx]

The differentiated development and uneven social struggles that are institutionalized in specific social formations internalize the social logic and imperatives that universalize capitalist relations and competitive advances.[lxxi] This is the sense of Marx's comment that capitalism has always spread by imitation and emulation, by compelling "all nations, on pain of extinction, to adopt the bourgeois mode of production", as the bourgeoisie fashioned "a world after its own image".[lxxii] The distinct institutionalizations of the welfare state cannot be conceived, therefore, as either obstacles or conduits to the development of capitalist productive forces to be discarded or imitated as models for aiding competitiveness and accumulation as technologies evolve. The convergence pressures of capitalist imperatives from the world market are internalized into the specific paths and forms of capitalist development and welfare. The differing institutional contexts of capitalist development registers that capitalist states adjust to market failures and capitalist competition in varied ways, either by constraining the 'pure' logic of market imperatives by modifying distributional outcomes and welfare or by more directly reinforcing that logic, according to the balance of class forces. The penetration of the modalities of workfarism into Sweden, for instance, has not produced the punitiveness of American eligibility restrictions but it has introduced the social logic of neoliberalism into the distributional dynamics of Swedish welfare policy in a way that emulates the inegalitarian and 'competitive austerity' dynamics that are central to the neoliberal phase of capitalism.

A convergence towards a singular 'model' of neoliberalism and workfare as a consequence of globalization, or the importation of some idealized more 'advanced' welfare state policies of, say, the Netherlands or the U.S., are illusions even though the competitive logic of capitalism universally compels continual adoption of productivity enhancing technological change, spatial extension of exchange relations and challenges to national and local distributional relations. As Marx noted, capitalism imposes "one specific kind of production which predominates over the rest, whose relations thus assign rank and influence to the others. It is a general illumination which bathes all the other colours and modifies their particularity."[lxxiii] The modes of exploitation, distribution and reproduction that form an encompassing capitalist world market are always relationships of power existing in concrete histories and spaces. There is, then, a specificity to capitalism as "a system of production always exists in the shape of specific social determinations, the particular modes of organization and domination and the forms of property in which relations of production are embodied ... because relations of production are historically constituted by the configuration of power that determines the outcome of class conflict."[lxxiv] This is precisely the sense, for better or worse, that the ‘varieties of capitalism’ that we now confront, in attempting to construct a more egalitarian and democratic world, are ‘varieties of neoliberalism’, with specific trajectories of workfare mediating the competitive imperatives imposed by the world market. This is also why, to return to the political question, the realignment of social democracy that has been unfolding is not merely mistaken policies by governments, or opportunistic Third Wayism, but a fundamental new revisionism that is reshaping social democratic practice.

Endnotes

i This agenda had been laid out by Ian Gough (who himself moved in a quite different direction) in arguing that the welfare state "simultaneously embodies tendencies to enhance social welfare, to develop the powers of individuals, to exert social control over the blind play of market forces; and tendencies to repress and control people, to adapt them to the requirements of the capitalist economy. Each tendency will generate counter-tendencies in the opposite direction; indeed, this is precisely why we refer to it as a contradictory process through time." See: The Political Economy of the Welfare State (London: Macmillan, 1979), p. 12.; James O'Connor, The Fiscal Crisis of the State (New York: St. Martin's Press, 1973); Claus Offe, Contradictions of the Welfare State (London: Hutchison, 1984); and Norman Ginsburg, Class, Capital and Social Policy (London: Macmillan, 1979).
ii Maurizio Ferrera and Martin Rhodes, 'Recasting European Welfare States: An Introduction,' West European Politics, 23:2 (2000); and Dani Rodrik, Feasible Globalizations (2002) at **http://ksghome.harvard.edu/** ~.drodrik.academic.ksg/Feasible.pdf.
iii Peter Hall and David Soskice, 'Introduction,' in Peter Hall and David Soskice, eds., Varieties of Capitalism: The Institutional Foundations of Comparative Advantage (New York: Oxford University Press, 2001); and Fritz Scharpf and Vivien Schmidt, eds., Welfare and Work in the Open Economy, 2 vols. (Oxford: Oxford University Press, 2000).
iv Susan Strange, 'The Future of Global Capitalism: Or, Will Divergence Persist Forever?' in Colin Crouch and Wolfgang Streeck, eds., Political Economy of Modern Capitalism: Mapping Convergence and Diversity (London: Sage, 1997).
v By modal cases of national capitalisms, we are drawing a parallel to Marx's concept of 'regulating capitals' as applied to sectors. Given the differentiation of capitals and uneven development in a world market, these are the cases in which conditions of production, distribution and social reproduction within specific institutions and social relations are being established that 'regulate' other national capitalisms.
vi See: Clark Kerr, et al., Industrialism and Industrial Man (NewYork: Oxfrod University Press, 1960); and Harold Wilensky and C. N. Lebeaux, Industrial Society and Social Welfare (New York: Russell Sage, 1958).
vii See the still important studies by Gerhardt Lenski, Power and Privilege: A Theory of Social Stratification (New York: McGraw-Hill, 1966); John Stephens, The Transition from Capitalism to Socialism (Urbana: University of Illinois Press, 1979); Frank Castles, The Impact of Parties (Beverley Hills: Sage, 1982); and Walter Korpi, The Democratic Class Struggle (London: Routledge, 1983)
viii Gosta Esping-Anderson, Three Worlds of Welfare Capitalism (Cambridge: Polity Press, 1990). This position has been developed in a range of studies that, in many ways, have moved well beyond this text theoretically and empirically. See: Alexander Hicks, Social Democracy and Welfare Capitalism (Ithaca: Cornell University Press, 1999); Evelyne Huber and John D. Stephens, Development and Crisis of the Welfare State: Parties and Policies in Global Markets (Chicago: The University of Chicago Press, 2001); Stephan Leibfried and Paul Pierson, eds., European Social Policy: Between Fragmentation and Integration (Washington: Brookings, 1995); and Isabella Bakker, 'Globalization and Human Development in the Rich Countries: Lessons from Labour Markets and Welfare States,' in UNDP, Human Development Report 1999 Background Papers: Globalization with a Human Face (New York: UNDP, 1999).
ix On the impact of aging, the studies of Jill Quadagno and John Myles are compelling; in terms of the importance of gender, the studies Evelyn Huber, Ann Orloff and Julia O'Connor have been particularly synthetical of the various strands of thinking.
x Although hardly a proponent of simple convergence of welfare, Paul Pierson's writings have been pivotal in clarifying the issues in his: Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment (Cambridge: Cambridge University Press, 1994); 'Three Worlds of Welfare Research,' Comparative Political Studies, 33: 6-7 (2000); and his edited, The New Politics of the Welfare State (Oxford: Oxford University Press, 2001).

xi. There seems to be a growing consensus among comparativists that the single most important change in the world market is the deregulation of currency and financial markets. See: Hall and Soskice, 'Introduction'; Hugo Radice, 'Globalization and National Capitalisms: Theorizing Convergence and Differentiation,' Review of International Political Economy, 7: 4 (2000); and Manuel Castells's three volume series The Information Age.

xii Asar Lindbeck, 'Hazardous Welfare-State Dynamics,' American Economic Review, 85:2 (1995), p. 9; 'The Welfare State in Europe: Challenges and Reforms,' European Economy, 4 (1997); A. Dilnot, 'The Assessment: The Future of the Welfare State,' Oxford Review of Economic Policy, 11:3 (1995); M. Baldarassi, et al., eds., Equity, Efficiency, Growth: The Future of the Welfare State (London: Macmillan, 1996); and P. Taylor-Gooby, ed., Choice and Public Policy: The Limits to Welfare Markets (London: Macmillan, 1998).

xiii See: Herbert Kitschelt, The Transformation of European Social Democracy (Cambridge: Cambridge University Press, 1994); Herbert Kitschelt, et al., Continuity and Change in Contemporary Capitalism (Cambridge: Cambridge University Press, 1999); Anthony Giddens, ed., The Global Third Way Debate (Cambridge: Polity, 2001); and Martin Rhodes, 'Globalization and West European Welfare States,' Journal of European Social Policy, 6:4 (1996).

xiv Julia O'Connor and Gregg Olsen, eds., Power Resources Theory and the Welfare State: A Critical Appraisal. Essays Collected in Honour of Walter Korpi (Toronto: University of Toronto Press, 1998), p. 21. See also Ramesh Mishra, The Welfare State in Capitalist Society (Toronto: University of Toronto Press, 1990); and A. Pfaller, et al., eds., Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries (London: Macmillan, 1991).

xv. Hall and Soskice, 'Introduction,' p. 57.

xvi. Evelyne Huber and John Stephens, 'The Social Democratic Welfare State,' in Andrew Glyn, ed., Social Democracy in Neoliberal Times: The Left and Economic Policy Since 1980 (New York: Oxford University Press, 2001), p. 276.

xvii. Huber and Stephens, Development and Crisis of the Welfare State, pp. 1-2.

xviii. Ibid., p. 6.

xix Gosta Esping-Andersen, Social Foundations of Postindustrial Economies (Oxford: Oxford University Press, 1999), pp. 3, 148, 173; and Gosta Esping-Andersen, ed., Welfare States in Transition: National Adaptations in Global Economies (London: Sage, 1996). This represents a significant shift from his classic Three Worlds of Welfare Capitalism (1990). He has also shifted his typologies to a degree and integrated households in his framework, both at the level of integrating additional institutional variables.

xx. Torben Iversen, 'The Choices for Scandinavian Social Democracy in Comparative Perspective' in Andrew Glyn, ed., Social Democracy in Neoliberal Times: The Left and Economic Policy since 1980 (New York: Oxford University Press, 2001), p. 253. See also his: Contested Economic Institutions: The Politics of Macroeconomic and Wage Bargaining in Advanced Democracies (Cambridge: Cambridge University Press, 1999); and with A. Wren, 'Equality, Employment and Budgetary Restraint: The Trilemma of the Service Economy,' World Politics, 49 (1998).

xxi. Ibid., pp. 274-5.

xxii. Ibid. Here, as in the recent work of Esping-Andersen or Wolfgang Streeck, there is little conceptual separation from neoclassical economics in terms of wage-price and employment-marginalization trade-offs, or in the use of risk management and standard neoclassical models of households and joint decisions models of behaviour. In our view, the incorporation of this Weberian position within neoliberalism is both practical and theoretical: the institutional regime of neoliberalism provides the context in which empirical specifics of marginal tradeoffs are assessed.

xxiiiThe irony of this position is, of course, that both advocates of convergence and divergence have come to accept what they earlier rejected as the economic determinism of Marxism in its contention that capitalist imperatives constrained the welfare state's capacity to improve the conditions of social

reproduction through the contradiction between legitimation and accumulation. See the theoretical survey by Ben Fine, 'Whither the Welfare State: Public versus Private Consumption?' SOAS Working Paper Series, N. 92 (2000).
xxiv. Hall and Soskice, 'Introduction,' pp. 62-3.
xxv. Radice, 'Globalization and National Capitalisms: Theorizing Convergence and Differentiation,' p. 730.
xxvi. John Zysman, 'How Institutions Create Historically Rooted Trajectories,' Industrial and Corporate Change, 3:1 (1994), p. 255.
xxvii. Ibid., p. 244.
xxviii
. Strange, 'Future of Global Capitalism,' p. 184.
xxix. Paul Hirst and Grahame Thompson, Globalization in Question: The International Economy and the Possibilities of Governance, 2nd ed. (Malden: Polity Press, 1999), is another example of the Weberian impasse. On the one hand, globalization is nothing new and the world economy is what it has been, and, on the other, everything is new for the required spatial hierarchies for embedding the institutional relations of capitalism and how social agents struggling for redistribution should re-orient their claims. See various issues of The Socialist Register for articles by, Leo Panitch, Greg Albo, Sam Gindin, David Coates, David Harvey, Martin Hart-Landsberg, that have critiqued this view.
xxx. Robert Brenner and Mark Glick, 'The Regulation Approach: Theory and History,' New Left Review, 188 (1991), p. 112; and Robert Brenner, 'The Economics of Global Turbulence,' New Left Review, 229 (1998).
xxxi. David Coates, Models of Capitalism: Growth and Stagnation in the Modern Era (Cambridge: Polity Press, 2000), p. 260. In developing this theme, see the symposium on Coates's book in New Political Economy, and his 'Capitalist Models and Social Democracy: The Case of New Labour,' British Journal of Politics and International Relations, 3:3 (2001).
xxxiiAngus Maddison, The World Economy: A Millennial Perspective (Paris: OECD, 2001), pp. 131ff.
xxxiiiA. Boltho, 'The Return of Free Trade?' International Affairs, 72:2 (1996).
xxxivJ. Perraton, D. Goldblatt, D. Held and A. McGrew, 'The Globalisation of Economic Activity,' New Political Economy, 2:2 (1997), p. 261.
xxxvPerraton, et al., 'The Globalisation of Economic Activity,' p. 265.
xxxvi37. For a discussion of some of the dynamics between global unemployment, insecurity and cumulative divergence see: John Eatwell, ed., Global Unemployment: Loss of Jobs in the 1990s (Armonk: M.E. Sharpe, 1996).
xxxviiSee, for example, David Cameron, 'Unemployment, Job Creation, and Economic and Monetary Union' in Nancy Bermeo, ed., Unemployment in the New Europe (Cambridge: Cambridge University Press, 2001), p. 21.
xxxviii39. As reviewed below, this seems to be a more than plausible account when different measures of labour reserves and employment security are taken into consideration. See: Guy Standing, Beyond the New Paternalism: Basic Security as Equality (New York: Verso, 2002), Ch. 3.
xxxixThe dependency ratios in Figures 12 and 12A confirm the basic claim of an increasing dependency of individuals on paid forms of labour.
xlSee: Andrew Glyn, 'Aspirations, Constraints, and Outcomes' in Andrew Glyn, ed., Social Democracy in Neoliberal Times: The Left and Economic Policy Since 1980 (New York: Oxford University Press, 2001), p. 276. Richard Clayton and Jonas Pontusson, 'Welfare State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies,' World Politics, 51 (1998).
xliThe figures for public sector employment in the United States do not include the military. If the military is included, the decline in public sector employment is more significant.
xliiStanding, Beyond the New Paternalism, p.147.

xliiiClayton and Pontusson, 'Welfare State Retrenchment,' p. 75.
xliv See: Nancy Rose, Workfare or Fair Work: Women, Welfare and Government Programmes (New Jersey: Rutgers University Press, 1995), Chs. 6-7 ; Maeve Quaid, Workfare: Why Good Social Policy Ideas Go Bad (Toronto: University of Toronto Press, 2002); and Jamie Peck, Workfare States (New York: Guilford, 2001), Ch. 3.
xlv David A. Super, et al., The New Welfare Law (Washington, D.C.: Center on Budget and Policy Priorities, 1996), p. 10.
xlvi Steve Suppan, 'United States: Implementing the Commitments' at http://www.socwatch.org.uy/1997/eeuu.htm.
xlvii For an account of the evolution of public welfare programmes in Japan see: Yasuo Takao, 'Welfare State Retrenchment: The Case of Japan,' Journal of Public Policy, 19:3 (1999); and recent studies by Ronald Dore.
xlviii Bai Gao, Japan's Economic Dilemma: The Institutional Origins of Prosperity and Stagnation (Cambridge: Cambridge University Press, 2001), pp. 255-9.
xlix According to Gao, off-shore manufacturing has increased fourfold since the Plaza Accord was signed in 1985. See: Japan's Economic Dilemma, p. 257.
lOECD, Economic Surveys: Japan 1996/97 (Paris: OECD, 1997), pp. 127-8.
liOECD, Economic Surveys: Japan 1995/96 (Paris: OECD,1996), pp. 127-128.
liiOECD, Economic Surveys: Japan 1997/98 (Paris: OECD,1998), p. 144.
liii. Netherlands Bureau for Economic Policy Analysis, Challenging Neighbours: Rethinking German and Dutch Economic Institutions (Berlin: Springer-Verlag, 1997).
liv. A. Hemerijck, 'Corporatist Immobility in the Netherlands,' in C. Crouch and F. Traxler, eds., Organized Industrial Relations in Europe: What Future? (Aldershot: Avebury, 1995), p. 187.
lv57. OECD, Economic Surveys: The Netherlands, 1995/1996 (Paris: OECD, 1996), p. 49.
lvi
58. The so-called 'bonus-malus' system was abolished in July 1995 because employers also had to pay penalties in the case of employees having been granted disability benefits for 'social risks', i.e. for other than industrial or occupational accidents or diseases. OECD, Economic Surveys: The Netherlands, 1995/1996 (Paris: OECD: Paris, 1996), p. 55.
lvii59. "In the Netherlands, disability has a wage-related definition, rather than a purely medical definition. The decision of whether, and the extent to which, someone should be declared disabled is based on what the person in question, given his or her medical limitations, is still capable of earning in relation to what he or she was formerly earning. Until August 1993, the degree of disability was determined on the basis of the concept of 'suitable work', i.e. what a person was still capable of earning in his or her previous function or in an equivalent job. Since August 1993, the assessment has been based on the concept of 'acceptable work' – i.e. the degree of disability now depends on the maximum income someone is still capable of earning, regardless of his or her former function or education." OECD, Economic Surveys: The Netherlands, 1997/1998 (Paris: OECD, 1998), p. 84.
lviii60. OECD, Economic Surveys: The Netherlands, 1993/1994 (Paris: OECD, 1994), pp. 93-5.
lix61. OECD, Economic Surveys: The Netherlands, 1997/1998 (Paris: OECD, 1998), pp. 69-102.
lxFor a comparative perspective see: Iversen 'The Choices for Scandinavian Social Democracy in Comparative Perspective,' pp. 251-275. For an account of the historical evolution of the Swedish model see: Huber and Stephens. Development and Crisis, pp. 113-31.
lxi See also the observations of Huber and Stephens, Development and Crisis, p. 242.
lxiiOECD, Economic Surveys: Sweden 1997-98, (Paris: OECD, 1998).
lxiiiOECD, Sweden, pp. 66-68.
lxivOECD, Sweden, p. 73.
lxvSee: Philip McMichael, 'Incorporating Comparison Within a World-Historical Perspective: An Alternative Comparative Method,' American Sociological Review, 55 (1990); Alain Lipietz, Mirages

and Miracles (London: Verso, 1987), Ch. 1; and John Meyer, et al., 'Convergence and Divergence in Development,' Annual Review of Sociology, 1 (1975).
lxvi Hugo Radice, 'Globalization and National Capitalisms: Theorizing Convergence and Differentiation,' Review of International Political Economy, 7:4 (2000), pp. 722, 725.
lxvii Ian Gough, 'Social Welfare and Competitiveness,' New Political Economy, 1:2 (1996), p. 228.
lxviii. Ellen Wood develops this conceptual point in The Pristine Culture of Capitalism (London: Verso, 1991). She argues that it is necessary to analyse societies as they exist, in terms of their socio-economic property relations and social logics, without imputing an external pole of rational development on them.
lxix
. Chris Smith and Peter Meiksins, 'System, Society and Dominance Effects in Cross-National Organisational Analysis,' Work, Employment and Society, 9:2 (1995), p. 246.
lxxBrenner and Glick, 'Regulation School,' p. 111.
lxxi See also: Chris Roberts and Gregory Albo, 'European Industrial Relations: Impasse or Model?' in Ellen Wood, Peter Meiksins and Michael Yates, eds., Rising from the Ashes? Labor in the Age of Global Capitalism (New York: Monthly Review Press, 1998); and Gregory Albo, 'Neoliberalism, the State and the Left: A Canadian Perspective,' Monthly Review, 53:12 (2002).
lxxii. Karl Marx and Frederick Engels, The Communist Manifesto (London: Verso, 1998; original publication 1848), p. 40. Antonio Gramsci made a similar point in discussing Americanism and Fordism and the tensions involved in its diffusion. See: Selections from the Prison Notebooks (New York: International Publishers, 1971), pp. 277ff.
lxxiii. Karl Marx, Grundrisse (Harmondsworth: Penguin, 1973), pp. 106-7.
lxxivEllen Wood, Democracy Against Capitalism (Cambridge: Cambridge University Press, 1995), p. 28.