



# WELFARE STATES IN CRISIS?

PUBLIC SUPPORT OF WELFARE POLICIES OVER THE LAST 3  
DECADES



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## SUMMARY

The central question in this thesis is 'how does public support influence welfare policy reforms'. We will investigate public support of redistributive welfare policies over the last 3 decades, by using indicators from the European Values Study (EVS). We investigate if the speed and direction of welfare policy reform is influenced by public support of redistributive welfare policies, using data from the Enrico DeBenedetti Foundation (fRDB). Finally, we introduce economic conditions as a third variable in an elaboration model, using data gathered from the OECD.

In line with research by Roosma and her colleagues (Roosma, Gelissen, & van Oorschot, 2013), we find that public support for welfare policies cannot be reduced to a single component. We use two components, attitudes towards redistribution and attitudes towards rights and responsibilities, which evolve differently over time and between countries.

Analysis of a possible bivariate relation between the two components of public support for redistributive welfare policies and the speed and direction of reforms, fails to provide a conclusive association. The hypotheses that high support for redistributive welfare policies decreases the number of reforms towards activation is rejected. If anything, the evidence indicates an opposite relation where support for redistributive welfare policies actually *increases* the number of reforms towards activation policies. We hypothesize this might be the result of blame avoidance mechanics; governments reform policies when they are forced to do so by (economic) pressure, and as an alternative to rolling back policies directly.

After introducing economic conditions as a third variable, we find that within our sample, reforms happen almost exclusively after times of economic growth; however this relation disappears completely when we use population data. This result puts some doubt on the blame avoidance hypothesis, as we can find no evidence of a decline in real GDP influencing the number of reforms within our sample.

The data indicate that declining economic situations lower the effects of public support on reforms, regardless of the original direction of the effect. During periods of growth high attitudes towards rights and responsibilities appear to *increase* the number of reforms towards activation, whereas high attitudes towards redistribution appear to *decrease* the number of reforms towards activation. Furthermore, in most of our sample attitudes towards redistribution decrease after a period of GDP growth, while attitudes towards rights and responsibilities increase.

The mixed evidence we found in a number of our analyses is somewhat of a problem, and most likely represents the difficulties in a simplistic approach to a complicated problem. We found indications that country-level variables, possibly even regime types, might play a role. It is likely that other variables, such as the current structure and generosity of benefits, political alignment of current governments, and degree of ageing of the population also play a role. The influence of blame avoidance, and of perceptions of deservingness in particular, is unclear but should be further investigated.

## INTRODUCTION

The financial crisis, euro-crisis and the lack of economic growth that has followed in the years since, combined with an ever ageing population, has the inevitable consequence that the inclusive, universalist and generous welfare state is simply no longer sustainable. Many have predicted that welfare states will enter a second period of retrenchment (Vis, van Kersbergen, & Hylands, 2011), decreasing public expenditures as hard political decisions need to be made on who is deserving of state assistance, and conversely – who is not (Bambra & Smith, 2010; Slothuus, 2007; Vis et al., 2011). However, empirical evidence from a number of welfare states seems to contradict this prediction. Welfare states are changing, but not in the way or to the extent predicted (Vis et al., 2011). Some authors suggest that mass popular opinion is to ‘blame’; many welfare programs are simply too popular for politicians to cut (Brooks & Manza, 2008; Vis et al., 2011). Instead, existing welfare policies are being *restructured* towards an approach based on activation; no longer seeing citizens as passive citizens with rights, but as active citizens with responsibilities as well as rights. This process is characterized by increasing conditionality of welfare benefits. Changes in public support over time are interesting and of high importance to scholars and policy makers alike since welfare policies, or indeed governance itself, is contingent on legitimacy to be effective.

In light of these observations this thesis will question the assumption that welfare state reform is slow as a result of high public support for existing welfare state policies. In order to do this, we will investigate the level of public support for redistributive welfare policies, or the legitimacy of the ‘traditional’ welfare state, and the speed and direction of welfare policy reform, over the period 1990 - 2010. To do this, we will use data from the European Values Study (EVS)<sup>1</sup>, and the fondazione Rodolfo DeBenedetti (fRDB)<sup>2</sup>. We will investigate the interplay between public support and policy reform, and look at the role of economic circumstances as a possible third variable.

This thesis is composed of 6 main sections. The first part of the paper will be a literature review and explain the expected relationships. The second part deals with the research design. The third part will describe changes in economic situations, welfare policy, and public support separately. In the fourth part we will look at the influence of public support on welfare policy reform. In the fifth section we will put our findings together and attempt to regress speed and direction of reform to changes in public support and economic conditions. In the sixth and final part we will present our conclusions and give some recommendations for future research.

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<sup>1</sup> The European Values Study, henceforth EVS, is described as a large-scale, cross-national and longitudinal survey on basic human values. It provides a wealth of data on how Europeans think about life, family, work, religion, politics and society. Refer to <http://www.europeanvaluesstudy.eu/> for more information.

<sup>2</sup> The fondazione Rodolfo DeBenedetti, henceforth fRDB, supports research public pension reforms, causes of unemployment, co-ordination of social and immigration policies in the EU and the dynamics of poverty and inequality in welfare systems. Together with the Institute of Labour (IZA) in Bonn, it also maintains the fRDB-IZA Social Reforms Database, which we use in this thesis. The database covers employment protection legislation and non-employment benefits in the EU15 countries (with the exception of Luxembourg) over the period 1980-2009. Refer to [http://www.frd.org/language/eng/topic/data-sources/dataset/international-data/doc\\_pk/9027](http://www.frd.org/language/eng/topic/data-sources/dataset/international-data/doc_pk/9027) for more information.

## RESEARCH QUESTION

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The main research question of the paper is thus

- I. *“What is the effect of **public support of redistributive welfare policies** on the **speed and direction of welfare policy reform** in the period 1990 - 2010?”*

To answer this question, we will first answer two sub-questions;

- (a) *How did public support of redistributive welfare policies change over time and between countries?*
- (b) *How did welfare policy change over time and between countries?*

As economic conditions are likely to influence both the dependent and independent variable in this relationship, we will test for a possible elaboration model;

- II. *What is the effect of **economic conditions** on the relationship between public support of redistributive welfare policies and the speed and direction of welfare policy reform?*

Which leads us to a third sub question that needs to be answered first;

- (c) *How did economic conditions change over time and between countries?*

## LITERATURE REVIEW

We question the assumption that the main reason the inclusive European welfare state survives is through a high level of public support. In other words, welfare state policies continue to enjoy a high level of legitimacy. There are a few theoretical disambiguations to be made before we can proceed with the analysis. First, a clear conceptualisation of some of the main concepts of this paper is called for, as so far we have used legitimacy, public opinion and public support interchangeably. In the following literature review we will discuss the concepts and relationships that are at the foreground of the thesis.

## PUBLIC SUPPORT

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The differences between public support, public opinion and legitimacy are small but important. Public opinion can be seen as the aggregated opinion of a country's population on a certain topic. Public support is then the application of public opinion to a certain policy, initiative, etc. Support is high when the policy matches opinions and low when policy does not match opinions. Legitimacy includes support, but is broader; even a policy that enjoys little to no support can still be seen as legitimate if the process that led to the policy is viewed as a legitimate procedure.

There are many theories on legitimacy, but most are broadly based around two concepts as the sources of legitimacy; procedures and outcomes. A policy is legitimate if it has been reached through a legal procedure (legality), and if the outcomes are (perceived to be) beneficent to society, enjoying majority support (Hague & Harrop, 2007).

In relation to welfare policies, one can then say that a policy is legitimate if it has been reached through a legal decision making procedure and if the policy enjoys public support (Hague & Harrop, 2007). While the decision making procedure is usually fairly uncontested within the context of western democracies, the (perceived) beneficence of the outcome, both in the form the policy takes and the results it has upon society, depends heavily on an individual's personal values and political orientation (van Oorschot, 2002). Most published work on the legitimacy of welfare policy thus focuses on form and extent of the policy itself and the outcomes of the policy (See for example; Busemeyer, Goerres, & Weschle, 2009; Calzada, 2011; Jakobsen, 2010; Raven, Achterberg, Van Der Veen, & Yerkes, 2010; Taylor-Gooby, 2001; van Oorschot & Meuleman, 2012 and many more).

In removing the legality side from the concept of legitimacy, there is little to distinguish legitimacy from public support. We could define both legitimacy and public support as *the extent to which policy matches public opinion, and the support this policy enjoys in its underlying ideology, its application, and the results it achieves*. To be clear, in the rest of this thesis we will use public support as the main variable, as we have no information on the (perceived or real) legality of welfare policy.

We do not have (enough) data to measure public support for specific policies or even policy types directly, let alone the underlying ideology, application and results of a policy. Instead, we will look at public opinion on a number 'classic' redistributive welfare characteristics as a baseline of support for redistributive welfare policies.

In general, we know individuals are more likely to support a policy when it has aims and results that comply with their personal values and ideology (Bowles & Gintis, 2000; Hasenfeld & Rafferty, 1989; Kangas, 1997; Ullrich, 2002; van Oorschot, 2002), or benefits them personally (Brooks & Manza, 2008; Busemeyer et al., 2009; Hasenfeld & Rafferty, 1989; van Oorschot, 2002). As evidence from the Netherlands shows, it is also likely that perceived consequences of the welfare state, be they social, moral or economic, are also influenced by personal ideology and political stance, and perceptions of deservingness of welfare recipients (van Oorschot, Reeskens, & Meuleman, 2012; van Oorschot, 2010).

More specifically, in a series of articles and books over the last decade, van Oorschot and his colleagues have shown that public support for a policy goes hand in hand with the perceived *deservingness* of benefits recipients. In crude terms, a disabled person is seen as deserving, while an illegal immigrant is not (van Oorschot, 2000, 2008). Consequently, a policy providing income assistance to veterans will enjoy far higher support than one providing a basic living standard for immigrants. The theory above suggests that public support of welfare policies will differ between nations, policy areas and individuals. The level of public support is heavily linked to the perceived deservingness of welfare recipients (Bambra & Smith, 2010; van Oorschot, 2000, 2010) and framing of reforms in terms of deservingness by government officials (Slothuus, 2007). Furthermore, integrated<sup>3</sup> and extensive policy areas with higher redistributive spending typically enjoy higher public support than less integrated and extensive policy areas, e.g. activation based policies (Calzada, 2011).

Furthermore, public attitudes to welfare states and their policies are not one dimensional. In her research, Roosma comes to what seems like an obvious, yet often overlooked, conclusion; people have different attitudes towards different aspects of the welfare state. In general, people are positive of welfare goals and range, and more negative about effectiveness and outcomes (Roosma et al., 2013).

## POLICY REFORM, ACTIVATION AND REDISTRIBUTION

Public policy can be defined as "a system of laws, regulatory measures, courses of action, and funding priorities concerning a given topic promulgated by a governmental entity or its representatives" (Kilpatrick, n.d.). Applying this definition to welfare policies, we end up with an endless list of different policies, as even similar countries have welfare policies shaped by history, societal pressures, budget constraints, and many other factors. In order to research policy then, we need to group policies by defining factors. In practical terms a classification is often made by regime type, taking all of a nations policies as a whole, or when looking at separate policies or policy areas, by grading them by the presence of one or more defining aspects.

As mentioned before, one of the recurring trends in welfare policy reform in (nearly) all western welfare states is a trend towards activation. Indeed, activation, along with flexibility, is one of the main policy

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<sup>3</sup> Calzada defines welfare state integration as 'how many people really use and depend on [a] program' (Calzada, 2011, p. 45). The underlying theory is that the larger the proportion of the population that benefits from the welfare state, the larger the support.

recommendations of the European Employment Strategy (EES) and the OECD Jobs Strategy (Barbier, 2003; Casey, 2004; Heyes, 2013). Activation policies derive their name from a viewpoint of citizens as active agents with responsibilities as well as rights, as opposed to passive citizens with only rights. They are characterised by increased individual responsibility, and often incorporate aspects of conditionality (Barbier & Ludwig-Mayerhofer, 2004; van Berkel & Moller, 2002). Literally, they attempt to activate citizens, to achieve full labour market participation. The principle of activation is not limited to labour market policies, but can also be applied to benefit programmes, pension systems, and even tax policy (Barbier & Ludwig-Mayerhofer, 2004, p. 426). In the words of a senior policy advisor to the mayor of New York City; *“The basic principle here is that if you are going to ask for a benefit from the government, the government has a right – maybe an obligation – to ask for something in return. That’s the fundamental underpinning of the social contract. For every right there is a responsibility”* (Eurofound, 1999, p. 12).

To be sure, activation policies as such are not new. The goal of full employment has been a part of some welfare regimes, notably Denmark and Norway, for decades (Barbier & Ludwig-Mayerhofer, 2004). France too, has had ‘inclusion’ policies since the 1970’s, that are similar to activation policies (Barbier & Ludwig-Mayerhofer, 2004). Neither is the current focus on retrenchment a new phenomenon, western welfare states have been in what Pierson calls *permanent austerity* since the late 70’s (Pierson, 2002), and welfare policies in various models of social security seem to be converging, applying similar measures of work-relatedness, activation, increased targeting and reducing generosity (van Gerven, 2008).

Activation policies can range from simply creating an accessible link between unemployed and the labour market, to providing vocational training. Often, an element of conditionality is employed by either incentivizing participation on the labour market, or by penalizing non-participation, for example by reducing or cutting benefits (Barbier & Ludwig-Mayerhofer, 2004). In *Linking Welfare and work* (Eurofound, 1999), Matti Heikkilä refers to these as negative and positive facets of activation, where positive activation policies are based on providing opportunities, while negative policies are based on sanctions for non-participation. Of course, in the real world, these can – and often do – overlap.

Bjorn Hvinden describes this shift towards activation policies - in the Nordic countries – as a shift from “a de facto emphasis on equity, freedom of choice and security of income for the persons receiving public income support, to a greater stress on efficiency and **a combination of** improved work incentives **and** practical efforts to encourage and assist people without income from paid work to take up and remain in full- or part-time gainful employment” (emphasis in original, Eurofound, 1999, p. 47). We can see here a break from a model of unconditional and universal benefits, what we term the ‘traditional’ redistributive<sup>4</sup> welfare model where responsibility for a basic standard of living lies with the state and the normative focus lies in equality of outcomes, to a more conditional activation model, where responsibility lies – at least to a larger extent - with the individual, and the normative focus is on equality of opportunity (Eurofound, 1999; Pierson, 2002; Taylor-Gooby & Martin, 2010; van Gerven & Ossewaarde, 2012).

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<sup>4</sup> Of course, any welfare system is by its very nature redistributive, even one that is fully conditional. We employ the term only to make a distinction between ‘traditional’ redistribution policies and activation policies.

## RELATIONSHIPS

The following sections will provide a quick literature overview of the relationships between public support, policy reform and economic situations separately. We will use existing theory to explain the expected effects of public support on policy reform, and of economic situations on both policy reform and public support.

### PUBLIC SUPPORT & POLICY REFORM

How do we expect public support and policy to be related? There are two main theories on the direction of causality between public opinion and public policy. Theories of path dependency and power resources suggest that public opinion will influence policy. In contrast, institutionalist theories suggest that policy forms opinions. Brooks and Manza's (2007) work on public opinion and welfare state generosity provides strong evidence that public opinion can influence policy, but is not without criticism (Kenworthy, 2009). While both scenarios are plausible, and an interplay is likely<sup>5</sup>, for the benefit of testing the main hypothesis of this research – that redistributive welfare policies persist *because* of their high public support – we will assume that public opinion lies at the root of policy reform.

Theories of power resources predict that public opinion will influence policy simply because benefits will outweigh costs for decision makers. In other words, if a subsection of the population in favour of a particular reform is large enough and has enough political capital – or has enough power resources – they will be able to influence policy makers (Pierson, 1996). This process occurs in two main ways; first, people will elect those politicians that support their cause, so for politicians there is an incentive to implement popular policies and claim the credit (Pierson, 1996). Second, and more relevant in the current context of welfare state retrenchment, is the fact policy makers will not want to repeal popular policies in fear of 'electoral punishment' – being replaced at the next vote (Brooks & Manza, 2008; Raven et al., 2010). This is what Paul Pierson calls *blame avoidance* (Pierson, 1996). Moreover, the burden of cutbacks in welfare policies is often concentrated on a particular group, while benefits are dispersed among society. Thus, those who stand to lose have a larger incentive to attempt to influence policy, and are more likely to do so, than those who stand to gain (Pierson, 1996). It follows that welfare state expansion is politically safer than retrenchment; and politicians looking forward to another term in office will shirk away from cutting back on popular welfare policies.

We can then expect that high public support of redistributive welfare policies will lower the number of reforms towards activation, and similarly that low public support will likely result in more reforms. However, we do not know in what timeframe we can expect such changes. Essentially, the question here is how quickly do politicians pick up on public support, and in turn, how quickly will levels of support be translated into policy? There is no simple answer to this question, but we will look at reforms enacted within 4 years of the measurement of public support<sup>6</sup>.

<sup>5</sup> It would be naïve to think that one theory applies all the time. Certainly there have been cases where public opinion influences policy; an extreme example can be seen in the Arab Spring. However, the influence of institutions should also not be underestimated. Political parties, as the vanguards of competing ideologies, often have their own set of media; newspapers, TV-networks, and often represent a particular class of society. Particularly in nations with a strong party system and reinforcing cleavages, party preferences would have the power to shape citizen's norms and values, and thus their opinions on (social) policy. This effect is likely to become more profound the more exposure segments of society have to a single ideology, when a party or ideology has been dominant over time or when parties are closer together in the spectrum of ideologies (Raven et al., 2010).

In his book *Sometime Connection*, Sharp (1999, in Raven et al., 2010, p. 371) suggests that both theories apply under different circumstances, but does not specify when. Raven and her colleagues attempt to describe circumstances under which each of these theories might apply. She concludes that while in older, heavily institutionalized policies public opinion seems to have little effect on policy reform, in new (and thus less institutionalized) policy areas public opinion does have a recognizable effect (Raven et al., 2010).

<sup>6</sup> The timeframe of 4 years was chosen because (a) it seems like a reasonable timeframe to take a policy initiative from idea to implementation, and (b) it corresponds with a typical term of office. There is a qualification to be made here, as

## ECONOMIC SITUATIONS AND PUBLIC SUPPORT

While there is a large body of literature on the relationships between economy and policy, as well as policy and public support, there is little known about any direct relationship between economy and public support of welfare policies<sup>7</sup>. Common sense might suggest that support of welfare policies would be higher when the economy is doing well, and lower in times of recession. After all, in a recession there is much more stress on national budgets, and welfare expenditure is more likely to be controversial. Conversely, in times of economic boom, there is more room in the budget (and less people requiring benefits) for more generous benefits, and they are less likely to be controversial.

Empirical evidence however, does not seem to match this expectation. Blekesaune (2007) has done some initial work in this area, and has concluded that at a national level, countries that saw a larger than average decline in employment rates and financial satisfaction of the population, also saw a larger than average shift in attitudes from individual to state responsibility for economic provision (Blekesaune, 2007). However, Blekesaune did not control for the impact of different types of welfare policies, i.e. activation or redistributive policies. On the whole, his findings should mean welfare policies will be more legitimate during and in the aftermath of a crisis, but whether this relationship holds true for both redistributive and activation policies remains to be seen.

Again, there remains a question on timeframe; how long does an economy need to be growing or in decline to influence public support of welfare policies? Does a 'short' recession of 1 year significantly change public attitudes? We will look at economic performance in the last three years. When we look at changes in the relationship between public support and reforms, we will look at economic situation as a dichotomy, as either overall growth or overall decline. Afterwards, when we look at the influence of economic situation on public support and the number of reforms separately, we will use real GDP growth over the last three years as a continuous variable, so the actual level of growth or decline over the last three years.

## ECONOMIC SITUATIONS AND POLICY REFORM

Looking at the relationship between public support and policy reform, it seems retrenchment efforts are akin to political suicide. However, we know that retrenchment does happen. From Margaret Thatcher's and Ronald Reagan's 'attacks' on the welfare state (Starke, 2006), to the gradual 'restructuring' of western welfare states over the last few decades (Pierson, 2002; Vis et al., 2011). So what would compel these governments to pursue such supposedly unpopular reforms? The simple answer would be that they have little choice. Western welfare states are, quite literally, at a breaking point. An ever growing amount of pensioners, combined with relatively low fertility rates over the last decades means that social expenditure is rising, and an ever smaller working population is supporting an ever growing inactive population (Busemeyer et al., 2009). Add to that an economic crisis and its aftershocks, and theory would suggest reforms are inevitable (Vis et al., 2011).

Empirical evidence of reactions to the economic crisis however, shows an initial period of increased spending – saving those institutions deemed too big to fail -, and an increase in social spending to stabilize demand. Vis et al. marked the beginnings of a third phase of retrenchment and restructuring, but at the time of writing their article, this phase had not yet begun in earnest. Judging from the current EU emphasis on

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the 4 years might not actually overlap with one government's term of office. This is a pity, but controlling for actual terms of office is not practical for this thesis.

<sup>7</sup> By and large, this is because public support was, up until recently, almost exclusively seen as an effect of policy, and not the other way around (Brooks & Manza, 2006; Kenworthy, 2009). Hence, the effects of economic conditions on policy change are relatively well known, but the effects of economic conditions on public policy preferences have largely been ignored (Blekesaune, 2007).



controlling budget deficits and complying with the '3% rule'<sup>8</sup>, as well as the pressure exerted by EU commissioner Olli Rehn on individual member states to balance their budgets<sup>9</sup>, this third phase has now begun in earnest<sup>10</sup>.

Research by Vis (2009) on unpopular reforms provides an explanation based on prospect theory. Her findings show that governments will only pursue unpopular reforms when the economic situation is deteriorating (a necessary but not sufficient condition), and the governments' political situation is deteriorating, or the cabinet is leaning towards the right. In plain words, while politicians are risk-averse when things are going well, when they have nothing left to lose, they are willing to take a gamble – and implement reforms (Vis, 2009)<sup>11</sup>.

## HYPOTHESES

Taking into account the theoretical framework explained above, we can arrive at some hypotheses. Before we proceed however, we need to emphasize again that the direction of the relationship between public support and reform is contested. We will operate under the assumption that public support causes reform, but both theory and data do not provide sufficient evidence to prove causality, merely correlation. With that in mind, we can lay out the following hypotheses;

- (a) *The higher the public support of redistributive welfare policies, the slower welfare policies will reform towards activation based policies.*



Figure 1; Expected bivariate relationship between public support and reforms.

The above diagram shows this hypothesis in a (purely hypothetical) causal chain. We expect fewer reforms when public support of current policies is high. The introduction of economic situation as a third variable complicates matters. We expect economic situations to affect both public support and reform, but in opposite directions. A recession is expected to increase public support of welfare policies, but at the same time make governments more likely to implement reforms in order to cope with budgetary constraints, following both Blekesaune's and Vis' line of argument. This seems to conflict with the 'normal' relationship, where we expect higher public support to *reduce* the number of reforms. This apparent contradiction suggests an interaction model, where the initial relationship between public support and reform remains when the economy is doing well, but the relationship disappears when the economy is in decline.

<sup>8</sup> The 3% rule refers to the EU Excessive Deficit Procedure, the corrective arm of the Stability and Growth Pact, stipulating that annual deficits should not exceed 3%, and that public debt may not be higher than 60% of GDP.

<sup>9</sup> What, if any, the influence is of such 'outside' calls to both policy reform and public opinion is an interesting question, but sadly outside the scope of this paper.

<sup>10</sup> Responses to the crisis, and to the renewed EU calls for budgetary restraint are, of course, different from country to country. However, for the EU as a whole, most if not all governments agree that some level of reforms is necessary (although perhaps not the level the EU would desire).

See [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm) for the full recommendations.

<sup>11</sup> An extreme example of welfare states under stress can be seen in post-crisis Greece. Already ill-equipped to deal with crisis situations, and under extreme pressure from its 'troika' of money-lenders, the country has had to rapidly reform social policy (Matsaganis, 2012). Even in a 'healthy' welfare state such as the Netherlands, that has already undergone a gradual restructuring of welfare policies since the crises of the 70's and 80's, a further revision of social rights, a move towards more selective and activation based policies is to be expected (Yerkes & van der Veen, 2011).

- (b) *When a countries' economic situation is stable or improving, high public support of redistributive welfare will slow down welfare reform towards activation. When a countries' economic situation is deteriorating, the effect of public support on welfare reform will disappear.*

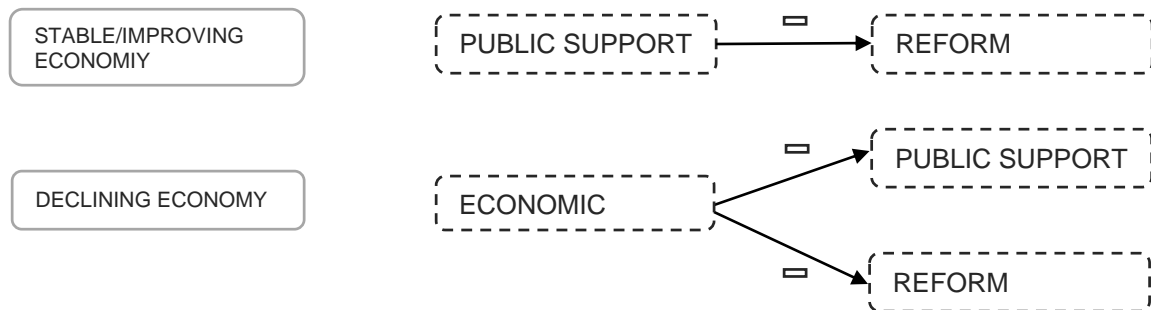


Figure 2; Expected trivariate interaction effect.

## RESEARCH DESIGN

To test our main hypothesis, we first have to establish changes over time for public support of redistributive welfare policies and welfare policy reform. Similarly, we will look at changes over time in economic situations. To do so, we will look at country-years as the units of analysis. Units of observation are individuals for the variable public support of redistributive welfare, but individual opinions will be aggregated to a country level. For both the direction of policy reform and economic situation, the units of observation are countries.

In order to make the most of the limited data available from the European Values Survey in terms of measurements over time, we will use pooled cross-section time-series regression. The crucial advantage in this design lies in the fact that we use country-years as the unit of analyses, dramatically increasing the size of the sample<sup>12</sup>, and thereby the statistical strength of the analysis, as well as the number of explanatory variables we can use. However, pooling data and combining cross-sectional and time-series designs also means we inherit the weaknesses of both designs, which are further complicated by the assumptions of regression analysis. Shalev (2007) and Kenworthy (2009) have described a number of common pitfalls in using pooled cross-section time-series designs, and some recommendations to avoid them. The research design is designed to avoid these pitfalls where possible, yet some issues do remain.

First, there are some problems we simply cannot work around. The main problems lie in causation; most importantly, regression does not prove causation, nor is the theory clear on the direction of causation. We operate under the assumption that public support causes policy reform, but we cannot prove this. Second, we have medium-term data from the mid 1980's onwards, but it is entirely plausible that current levels of public support and policy reforms are a result of policy made at any point before this timeframe. Another problem in causation lies in the fact that even with country-years as the units of analysis, the size of the sample is still quite small. Given that there are any number of possible explanatory variables for policy reform, we do not have the degrees of freedom (or, in many cases, the data) to control for them all. We have chosen to include economic performance as a third variable on the basis that there is substantial theoretical evidence for a trivariate relationship, and will leave it at that. A final and related problem is the

<sup>12</sup> We have a dataset of 15 countries, over 3 years. Instead of 3 or 15 observations, we have 35 (not all countries participated in all three waves of the EVS) – a sample size somewhat more suited to statistical analysis.

potential of heteroskedasticity, or in more easily pronounced words, that errors are not equal along the regression line<sup>13</sup>, introducing a bias and generating larger standard errors.

Another problem with pooling data across time and countries, is that causal mechanics may differ over time and over countries. Causal processes will probably differ between countries, as well as over time. For example, the political arenas, and accordingly the decision making processes of the Netherlands and the United Kingdom are quite different<sup>14</sup>, and have changed over time. This problem is partly solved by the relatively 'basic' level of our independent variables; public support and economic conditions. Based on the theory we have no reason to assume that the hypothesised relationships will behave significantly different over time than they do between countries. Nonetheless, we will isolate cross-sections of country averages at different times, and over time in each country, in an attempt to trace any inconsistencies. A final concern is auto-correlation, where variables correlate because they are inter-related.

Once variation over time and between countries has been established, we will use the elaboration paradigm to control for economic situations. We will look at partial relationships between public support and reforms during periods of decline and growth separately to determine whether economic situations change the original relationship, if any. Finally, we will look at the relationship between economic situations and both public support and reforms directly, to determine if there is a direct influence of economic situations on either of these variables.

## CASE SELECTION

I am interested primarily in a relationship in the European Union. As such, the countries analysed will be EU member states. Beyond this, case selection is not so much a matter of selection as it is of data availability. As we use two datasets for the analysis, we are limited to countries covered by both. In practice, this means we will include any EU<sup>15</sup> member state for which longitudinal data is available from at least two measuring points for each variable.

## DATA COLLECTION

In this thesis we compare data from three different sources, in very different forms. Collecting the data, and preparing it for analysis is not as straightforward as one might hope. Thus, the following sections will provide an overview of what data is collected, and how it is operationalized for analysis.

## PUBLIC SUPPORT

Ideally, when studying public support of welfare policies one would want to look at individual policies, or at the least, policy areas. While we have reform data for specific policies from the fRDB, data on public opinion is available only on an overall level. To our knowledge there is no systematic survey on public support of specific welfare policies. Survey questions generally concern the welfare state as a whole, and while the

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<sup>13</sup> My first statistical handbook referred to heteroskedasticity as the 'does the plot thicken' condition, which is perhaps more easily understood. Heteroskedasticity is recognizable as a changing variance around the regression line. In actuality, it means that there is an underlying variable in a subsection of the population. Since the model does not account for this, it gets wrapped into the error, distorting the results.

<sup>14</sup> E.g.; Two/three versus multi-party system, presence and influence of labour unions, etc.

<sup>15</sup> The EU as of the first of January 1995. That is; Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. Luxembourg is not included in the rFDB data, and therefore not included in the thesis.

latest wave of the ESS<sup>16</sup> does have a rotating module on the welfare state, even that does not include different policy areas, let alone specific policies.

While there are multiple cross national surveys available, most notable the EVS, WVS<sup>17</sup>, ESS and ISSP<sup>18</sup>, all of these suffer from their own weaknesses. The ESS has the most recent data available, with 5 waves from 2002 to 2010. As such, it would be a very informative source. However, it only asks a single question related to 'classic' redistributive welfare, on government responsibility for reducing income differences. As such, it would provide a very weak and incomplete reflection of the concept of public support of redistributive welfare policies as we use it. The ISSP is more promising, in that it is comprised of multiple rotating topical surveys, three of which (i.e. Role of Government, Religion and Social Inequality) provide some data related to support of redistributive welfare. However, the questions asked differ in text and answering categories between topics, and only the Role of Government survey provides a full reflection of public support of redistributive welfare policies. That leaves us with the WVS and the EVS. These surveys overlap, in that the EVS provides the European parts of the WVS survey. As our focus lies on European welfare states, this leaves the WVS redundant. The EVS itself includes three questions that relate to public support of redistributive welfare states, each capturing an element of the theory. These questions relate to reducing income differences, individual or state responsibility for providing, and conditionality of unemployment benefits. Even though these questions are only asked in three waves of the survey (i.e. 1990-1993, 1999-2001 and 2008-2010), they provide the most complete representation of the concept of legitimacy that is available to us.

Table 1; Selected questions. Source: EVS (1990, 1999, 2008)

**Now I'd like you to tell me your views on various issues. How would you place your views on this scale?**

1 - Incomes should be made more equal	10 - there should be greater incentives for individual effort
1 - Individuals should take more responsibility for providing for themselves	10 - The state should take more responsibility to ensure that everyone is provided for
1 - People who are unemployed should have to take any job available or lose their unemployment benefits	10 - People who are unemployed should have the right to refuse a job they do not want

Table 1 above shows the question text used in the last three waves of the EVS. Responses range on a 1-10 scale, and were asked in nearly all county-years. In order to reduce these three questions to a single variable, we performed Principle Component Analysis on the original data<sup>19</sup>, which revealed that the items range on 2 separate components, as per table 2. These components are visible within all countries of our sample over time, as within EVS waves across countries.

<sup>16</sup> The European Social Survey is aimed at describing and explaining the interaction between Europe's institutions and the attitudes, beliefs and behavior of its population. It covers 20-30 EU and bordering nations in biennial cross-sectional surveys starting in 2001. Refer to <http://www.europeansocialsurvey.org/> for more information

<sup>17</sup> The World Values Survey, <http://www.worldvaluessurvey.org/>

<sup>18</sup> The International Social Survey Programme aims at coordinating national studies, opening individual national surveys up to a cross-national perspective. It performs annual surveys, in a number of rotating subjects. Refer to <http://www.issp.org/> for more information.

<sup>19</sup> At the individual level, before aggregation to national level. Compensated for the different direction of the income equality scale by reversing the direction to be in line with the direction of the other two indicators.



Table 2; Principal Component Analysis. Source: authors calculations based on EVS (1990, 1999, 2008)

	COMPONENT	
	Rights and responsibilities	Redistribution
equalize incomes vs. incentives for individual effort <sup>13</sup>	,304	,943
individual vs. state responsibility for providing	,778	-,081
take any job vs. right to refuse job when unemployed	,747	-,299
variance explained	41.85%	32.85%

Together, these two components explain just over 75% of the total variance in the answers to these questions. When viewed in light of the theory, we can equate them with attitudes towards rights and responsibilities, and attitudes towards redistribution. While Roosma's work showed that support for welfare policies was likely to be multi-dimensional, these results do differ from her findings in that they represent the goals and range dimensions in her work, which she found to have a *high* inter-item correlation<sup>20</sup>.

Regardless, the three questions together cannot be seen as a single factor, correlation between equalizing incomes and the other two variables is very low<sup>21</sup>. What this means for the rest of the analysis is that we will look at public support along these two components, introducing a further variable to a dataset that already does not have that many degrees of freedom. This is hardly an ideal situation, but the best we can do with the available data<sup>22</sup>. Accordingly, we will compute the two attitude variables on redistribution and rights and responsibilities based on the factor scores of the original variables, and use the aggregated means of these for each country-year for the further analysis.

The surveys are taken from a sample of 1000 or more respondents in each country, and we have no reason to assume they do not adequately reflect attitudes in the country and year they are taken. Again, the lack of over-time data presents a problem; it is quite possible that one survey wave is influenced by outside events<sup>23</sup>.

The resulting variables, attitudes towards rights and responsibilities and redistribution, together measure public support for redistributive welfare policies. Low attitudes towards rights and redistribution represent a general attitude towards more personal responsibilities and less state responsibilities, whereas high attitudes represent attitudes towards more personal rights and more state responsibilities. Low attitudes towards redistribution represent the general attitude that income differences serve as incentives

<sup>20</sup> Exactly why our results differ so dramatically is unclear, but the different wording of questions may play a role. In particular, the ESS specifically asks respondents whether they feel *the government* should reduce differences in income levels, whereas the corresponding question in the EVS is more open-ended - and arguably less biased - producing different results.

<sup>21</sup> Pearson's *r* coefficient is 0,025 between equalizing incomes and right to refuse jobs, and 0,076 between equalizing incomes and individual vs. state responsibility for providing. While both these correlations are statistically significant, largely due to the large *n* of over 50.000, they are too weakly correlated to state that they measure one and the same concept.

<sup>22</sup> The two main alternatives, dropping equalizing incomes, or looking at all three variables separately, each have their own problems. Dropping one question from the analysis leaves us with a variable that does not cover the concept, while introducing yet another separate variable is wasteful of available degrees of freedom.

<sup>23</sup> This problem is even more acute in those countries where we have only two (Denmark, Germany, Portugal, Spain and Sweden) or even just one (Greece) measurement available.

for individual effort – and that this is a good thing - , while a high score represents attitudes that incomes should be equalized.

## POLICY REFORM

Most of the existing literature on welfare states and legitimacy or public support focuses on regime types as the determinant of policy. Esping-Andersen's (1990) seminal work on the three worlds of welfare capitalism is often used as a basis to compare different levels of public support (e.g. Brooks & Manza, 2008; Busemeyer et al., 2009; Calzada, 2011; Jakobsen, 2010; Larsen, 2007)<sup>24</sup>. There is also a significant body of work describing current changes in welfare policies mostly along an axis of activation (Bone, 2012; Jochem, 2011; Taylor-Gooby, 2001). There are a number of good arguments against using a welfare regime classification to study legitimacy or public support. First, activation policies are not unique to any particular regime; they are a common reaction to austerity (Bambra, 2007; Brooks & Manza, 2008; Vis et al., 2011). The classification of regime types is based on de-commodification and stratification, neither directly includes activation (Scruggs & Allan, 2006, 2008). Second, within regimes different policy areas employ different methods (Busemeyer et al., 2009; Calzada, 2011; Pfeifer, 2009). For example, while activation measures are a common element of unemployment policy, they are rare in old age policy. Third, and perhaps most compelling, as ideal types the very nature of regime types is that they are relatively static over time. As such, they are poorly adapted to measuring a concept that is – by definition – changing; welfare policy reform.

Since we are looking at temporal differences, it is **changes** in policy over time that we are most interested in, and the corresponding variable is thus welfare reform. As retrenchment is the expected behaviour for a welfare state in times of austerity, spending on welfare policies could be seen as one indicator of changes over time<sup>25</sup>. However, money spent can hardly tell the whole picture. It is not only how much is spent, but also *how* and *on whom* the money is spent. Therefore to measure policy reform, we will use data on the direction of policy reform provided by the fRDB. The data available from the fRDB allows us to make a temporal and incremental approach to welfare reforms, along an axis of activation.

There are two caveats to the fRDB data however. First, they provide a good overview of changes over time, but they do not provide a starting point. We can partially avoid this complication by looking at reforms, rather than welfare 'regimes'. Nevertheless, this limitation is likely to influence the data, and we should at least keep it in mind. Second, of a more practical nature, the fRDB only includes reform data up to and including 2009. This means that for the last wave of the EVS, we only have one to two years of reform data available, as opposed to the 4 years we would like to use. In cases where a lack of data becomes a problem, we might use a one year time-frame for reforms instead. In terms of reliability and validity this is hardly ideal, but increasing the number of observation by over a third might be more valuable.

We will aggregate data on measures in the Non-Employment Benefits (NEB) reforms database of the fRDB. Each measure is coded with a sign (increasing/decreasing) for activation characteristics, and an indication of the scope of the reform as either marginal or structural.

In order to aggregate reforms into a single indicator, for each individual measure we will start with a base score of 1 or -1, based on the direction of reform. We will then multiply this by 2 for reforms with a

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<sup>24</sup> Esping-Andersen classification is by no means uncontested, and many authors have suggested extra regime types or completely different classifications. However, Esping-Andersen's classification was the first of its kind and by far the most widely used (for an overview of some commonly used classifications and their merits see Arts & Gelissen, 2002).

<sup>25</sup> Indeed, spending on welfare as a percentage of GDP is one of the most common ways to classify welfare regimes. As noted however, this is an extremely narrow interpretation of welfare state policies. It is also doubly susceptible to outside effects; e.g. in a crisis, GDP drops and unemployment rises, both will increase welfare spending as a percentage of GDP, while in fact policies can remain exactly the same.

structural scope. This means that any given measure can have a score of -2, -1, 1 or 2, based on the sign and scope of the measure. Finally, we will create a total score of reforms for the four years following each EVS survey simply by adding up all the individual measure scores.

The variable speed and direction of reform is then measured as change on a continuum of welfare policy, with 'traditional' redistributive welfare policy on one end, and activation policy on the other. A 'positive' change indicates a reform towards activation, whereas a reform towards redistributive welfare would be classified as a 'negative' change. Multiple reforms in the same direction, or reforms that are larger in scope, increase the weight of the variable further.

## ECONOMIC SITUATION

Economic situations will be measured using OECD data on real GDP growth. For the trivariate analysis, we will use combined GDP growth over the preceding three years, simplified into a dichotomy; negative growth, or recession; and positive growth. When we look at economic situations as a possible cause of changes in public support and the speed and direction of reforms separately, we will use a continuous measure of real GDP growth over the last three years.

## DATA ANALYSIS

Bivariate relationships will be analysed both visually, and where possible using multiple regression, controlling for country<sup>26</sup> and year. We will test the effect of economic situations by performing separate regressions for country years with improving or stable and declining economic situations.

The regression analyses will be accompanied by graphical representations of variables, units, and their combination. The goal is to attain a useable regression result, controlled by a direct look at the data to glance into the 'black box' of data, catch inconsistencies and lend further credibility to the results, or qualify them where needed.

## CHANGES OVER TIME

### PUBLIC SUPPORT

That there are some changes in public support since the 1990's comes almost as a given, but how attitudes towards redistribution and the rights and responsibilities of citizen and state may have changed over time, and what differences there may be between countries is as of yet unclear. Figure 3 gives an overview of the mean attitudes of the population of our 14 countries in each of the three waves of the EVS<sup>27</sup>. Across countries and time, the mean score for rights and responsibilities is slightly below 9, the mean score for redistribution is 3,5<sup>28</sup>. What becomes immediately clear, is that there is no single pattern amongst countries,

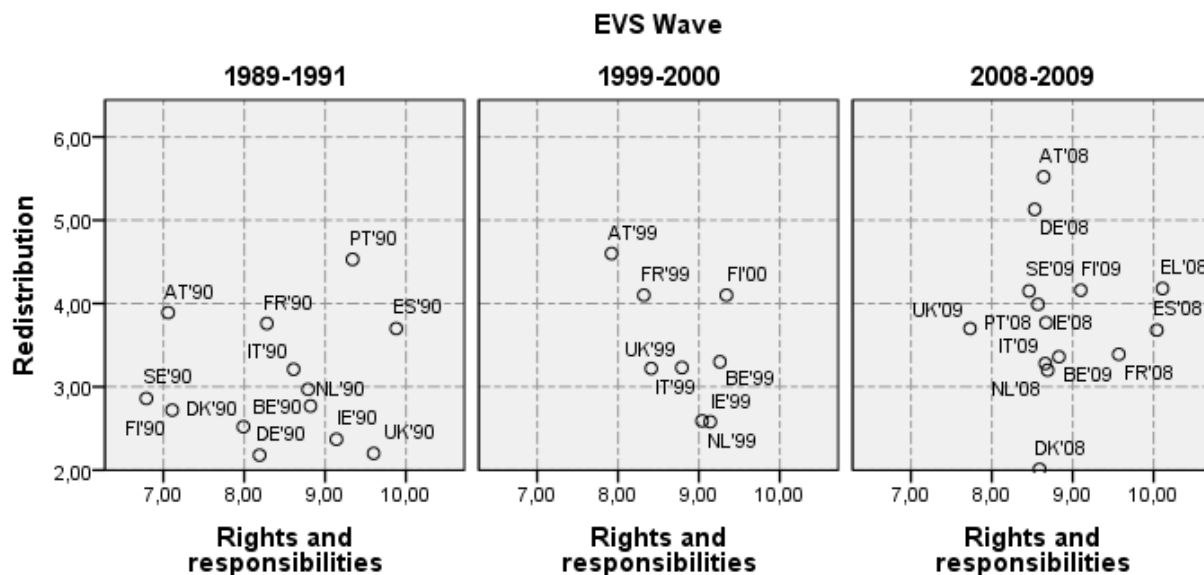
<sup>26</sup> Given that for public support we have, at best, only three measurements per country, formally controlling for country is impossible in analyses that include public support, and we will have to rely on graphical representations to 'catch' outliers and inconsistencies.

<sup>27</sup> Note that the data is plotted on axes of the main components, and not over time. A low score on the redistribution scale indicates attitudes towards greater incentives, while a high score indicates attitudes towards greater equality. A low score on the rights and responsibilities scale indicates attitudes towards less personal rights and more responsibilities, while a high score indicates more personal rights more responsibility for the state.

<sup>28</sup> Both components of public support are roughly normally distributed. Rights and responsibilities fits well with an N(8.69, .773) model, redistribution fits with an N(3.45, .831) model, although it is slightly skewed to the right. Note that the mean score for rights and responsibilities is higher as the question weights are higher in this component, see Table 2.



and attitudes have changed in different directions, along different patterns<sup>29</sup>. This is congruent with the lack of correlation between the two components of support on redistributive welfare policies, and again confirms that we should look at these components separately.



**Figure 3; Attitudes towards redistribution, rights and responsibilities by EVS wave.**  
(Source; author's calculations based on EVS 1990, 2000 and 2010)

Greece, Spain, and since the last EVS wave France, show the highest attitudes towards redistribution. Danish attitudes are currently strongly towards personal responsibility, whereas Austrian and especially German attitudes have made a strong leap away from personal responsibilities towards more personal rights. Overall, attitudes seem to have shifted towards redistribution and personal rights. In Austria, Finland<sup>30</sup>, Sweden and to a lesser extent Germany, attitudes towards both redistribution and rights and responsibilities are rising, indicating a growing level of support for 'traditional' redistributive welfare. In contrast, public support for redistributive welfare seems to be dropping in Portugal.

The UK shows decreasing attitudes towards redistribution, but increasing attitudes towards rights and responsibilities, which development is echoed by its neighbour; Ireland. Attitudes in France and Denmark have both moved towards redistribution, but away from rights and responsibilities, however their starting positions were quite different, as attitudes in Denmark range highly towards personal responsibility. Attitudes in Belgium, the Netherlands and Italy stand out mostly because of their relative stability<sup>31</sup>.

## SPEED AND DIRECTION OF REFORM

All countries in our sample have reformed towards activation based policies, some more so than others. Although we only have a vague idea of starting points<sup>32</sup>, we can see some patterns in reforms over time, and across countries. First, most countries show reforms towards activation from roughly 1990 onwards, before that, the picture is more varied, with quite a few countries showing reforms away from activation in the 1980's. Germany, followed by the Netherlands, shows by far the most reform towards activation.

<sup>29</sup> Figure 15 in the annex gives an overview of public attitudes for all the countries in our sample.

<sup>30</sup> In Finland, this change seems to have taken place before 2000, as attitudes from 2000-2009 remain stable.

<sup>31</sup> Greece is included for cross-country analysis, but we only have one measurement available, eliminating the possibility of any over time analysis.

<sup>32</sup> We know particularly for Denmark and the UK have started early with activation policy, but these are theoretical estimates. The data available only shows change over time.

Whether this should be interpreted as 'catching up', or these countries taking a pioneering approach is unclear from these data. However, the starting date of 1980 does conform to what most authors see as the 'dawn' of activation policies in the UK and Denmark, suggesting the cumulative reform rate should be fairly accurate (Jochem, 2011; van Berkel & Moller, 2002). Why then Denmark, often hailed as a pioneer when it comes to activation policies, is not on top of the list is somewhat of a dilemma. Certainly, we can see two large pushes towards activation in the mid 1990's and 2000's, but the number of activation reforms overall is significantly higher in Germany, which has had a consistent stream of activation reforms since the early 1990's<sup>33</sup>.

Southern European countries, that is Spain, Greece, Italy, Portugal and France, show considerably fewer reforms towards activation than the rest of Europe. This leaves the Nordic countries, as well as Ireland and the UK, somewhere in the middle<sup>34</sup>.

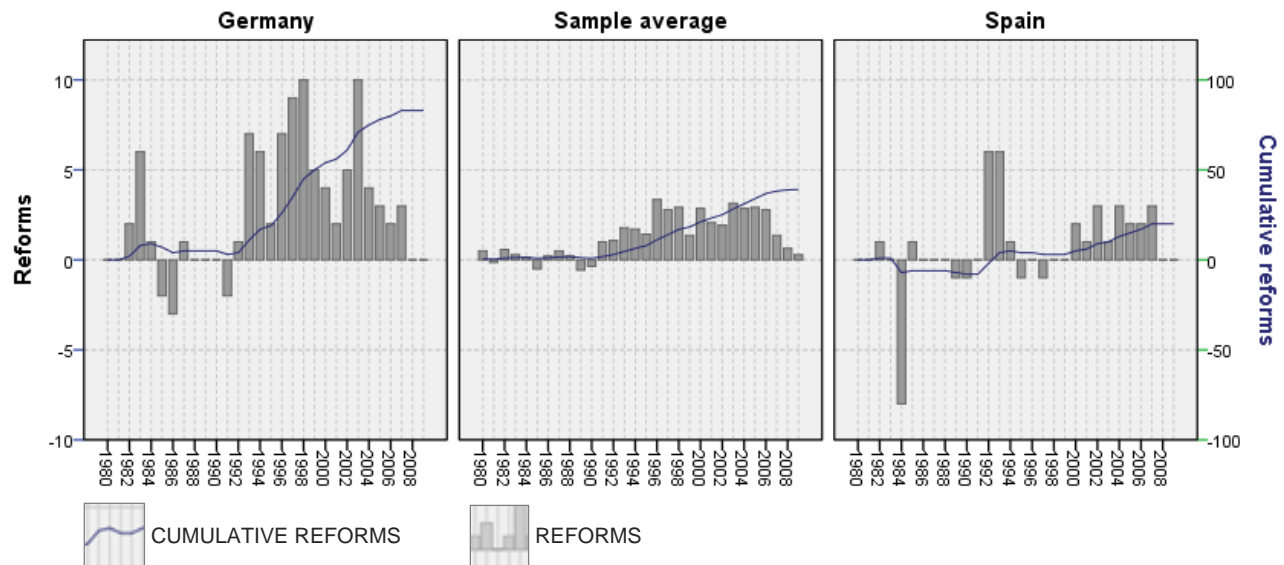


Figure 4; Reforms and Cumulative reforms in Denmark, Spain and the EU15 average. (Source; fRDB, 2013)

<sup>33</sup> One possible explanation might be that Danish policy makers 'got it right' the first time, whereas German policy makers were more incremental in their approach, accounting for a higher number of reforms in total.

<sup>34</sup> For a complete overview of reforms in all countries in the sample, see Figure 16 in the annex.

## ECONOMIC SITUATIONS

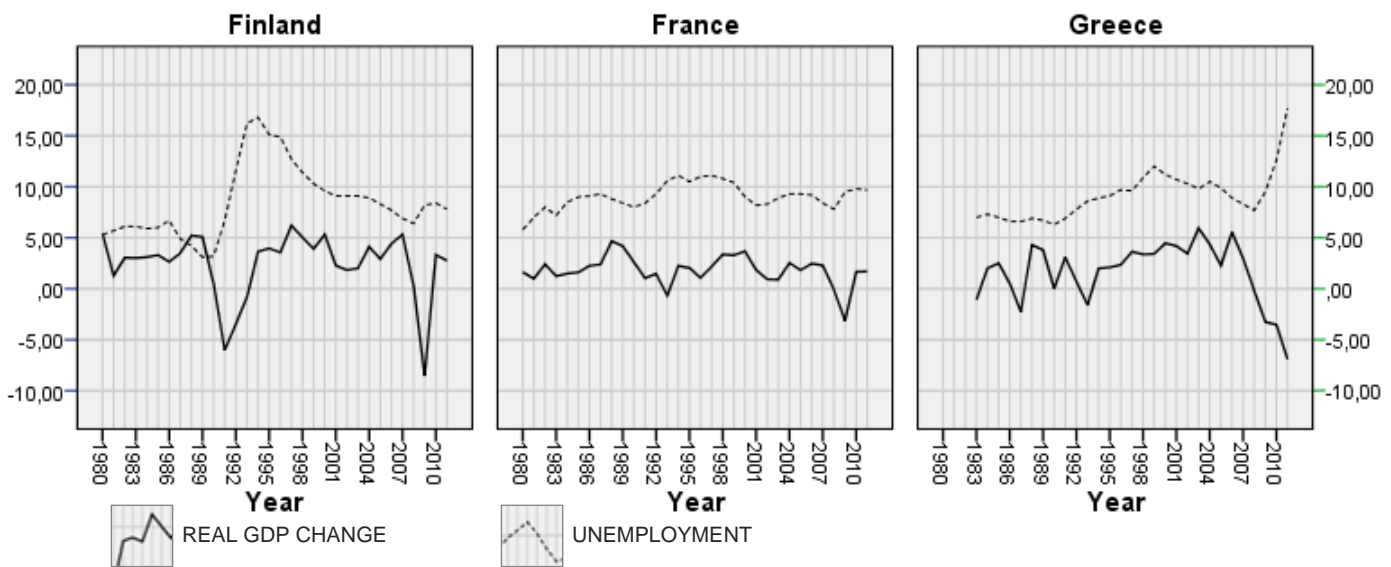


Figure 5; Real GDP change and unemployment rates over time, %, for Finland, France and Greece. (Source; OECD, 2013)

Real GDP growth and unemployment rates show the expected patterns<sup>35</sup>; GDP growth between 0% and 5% in most countries for most years since 1980, with a period of recession in the early 1990's and the late 2000's. Unemployment is inversely related to GDP growth, when GDP declines, unemployment rises, although often with a slight lag of one year. Figure 17 in the annex shows an overview of real GDP growth and unemployment in all the countries of our sample, figure 5 below highlights the developments of Finland, France and Greece.

Developments in France are roughly representative of the overall pattern. Ireland, Spain, Greece, and to a lesser extent Portugal, where hit hardest by the crisis, and show some of the largest drops in GDP, and unemployment rates well over the sample average since roughly 2009. Greece is the only country in the sample that as of 2011, showed no signs of recovering or even stabilizing GDP. Ireland, which experienced nearly double digit growth and rapidly dropping unemployment levels during much of the 90's, shows a dramatic fall in GDP, and a near 10% bump in unemployment between 2008 and 2010, seemingly stabilizing in 2011.

Meanwhile, in Finland, even though the recent crisis has resulted in the largest decline in GDP across our sample in 2009, this has resulted in only a small bump in unemployment. In contrast, in the early 1990's, in what at first glance appears to be a similar recession - although Finland was affected far more by the 1990 recession than any other country in our sample - unemployment rates in Finland shot up nearly 15%. Looking back at the dramatic change in Finnish welfare attitudes between 1990 and 2000 onwards, as well as a series of reforms during the mid-1990's, it appears likely both of these developments might have been triggered by the mid 1990's crisis.

<sup>35</sup> Unemployment is included here to provide a clearer picture, in the further analysis we will only use real GDP growth as an indicator for economic performance. Real GDP growth and changes in unemployment show a high degree of correlation ( $r = -0.699$ ,  $R^2 = 0.489$ ).

## RELATIONSHIPS AND INTERACTION

## PUBLIC SUPPORT AND REFORMS

To what extent do public support of redistributive welfare and welfare policy reform correlate? We have seen that overall attitudes have shifted towards more equality and more rights for benefit recipients, but at the same time we can see reforms towards activation happening in all countries. Figure 6a and b show reforms in the four years after attitudes on redistributive welfare were measured, specified by the two components of these attitudes. While there seems to be no association between attitudes on redistribution and policy reform, at first glance attitudes on rights and responsibilities do seem to have an association with reforms. However, though this association is (barely) statistically significant, it is also in the opposite direction of our hypothesis.

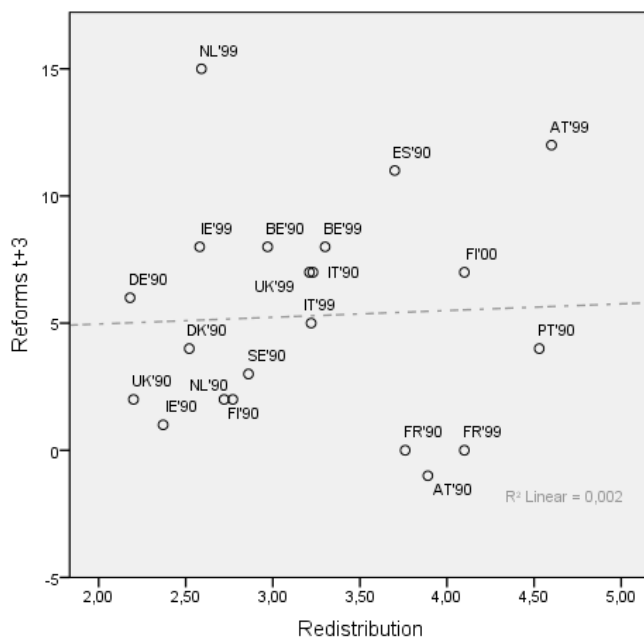


Figure 6a; Reforms over 4 years, by attitudes on redistribution.

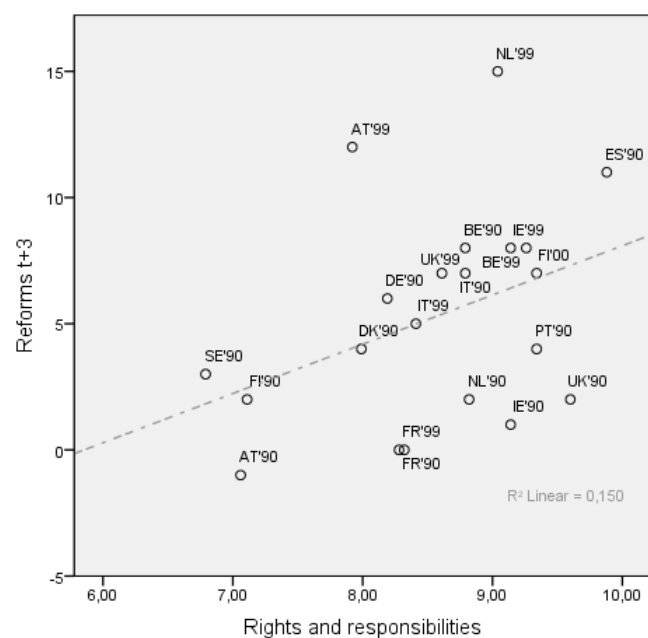


Figure 6b; Reforms over 4 years, by attitudes on rights and responsibilities.

It appears then, that in country-years where attitudes range more towards personal rights and state responsibility – indicating higher support of redistributive welfare policies, governments reform the most towards activation. This opens a range of new questions, but first we should see whether this relation holds up within countries and years. To this end, we will look more closely at any association between attitudes on rights and responsibilities, attitudes on redistribution and reforms in the next sections. Figure 7 will show reforms by attitudes on rights and responsibilities in each of the EVS waves. Figure 8 shows the same relationship within countries.

## RIGHTS, RESPONSIBILITIES AND REFORMS

While Figure 7 seems to show a relation between attitudes on rights and responsibilities and reforms to hold up for the 1989-1991 wave of the EVS, this is for a large part due to Spain as an outlier. If we were to remove Spain, there would be few reforms, regardless of attitudes on rights and responsibilities<sup>36</sup>.

Interestingly, in the 1999-2000 wave, attitudes on rights and responsibilities are similar across our sample, but the number of reforms differ regardless. In both cases, there is no clear connection.

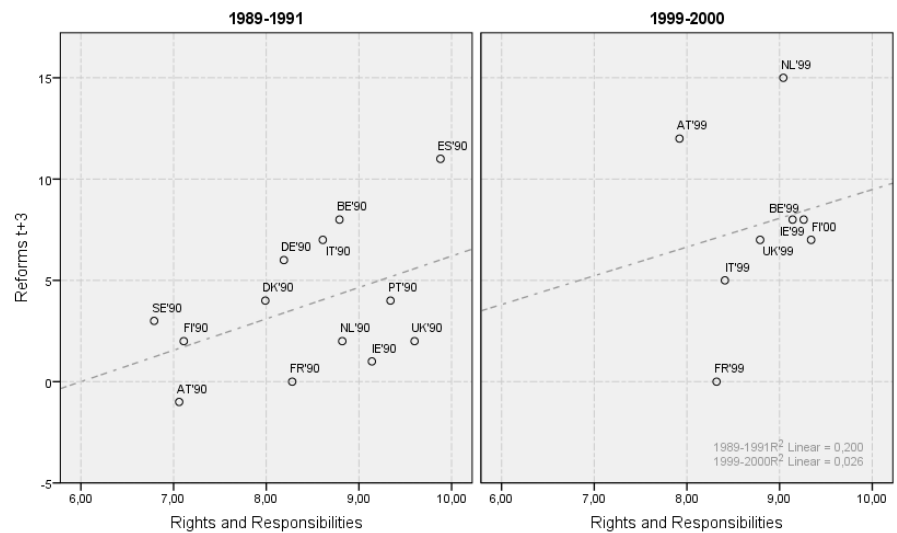


Figure 7; Reforms by attitudes on Rights and Responsibilities, within EVS waves.

If there is no relationship within EVS waves across countries, is there a relationship within countries, over time? This is where the limited dataset becomes a problem; as we do not have reform data after 2010. This means that while we have attitudes for 2008-2009, we do not have data on reforms in the 4 years after these attitudes were measured, leaving just two waves for our analysis. To make matters worse, Denmark, Germany, Portugal Spain and Sweden did not participate in the 2000 wave of the EVS. Figure 8 shows the number of reforms in four year periods after the 1990 and 2000 waves of the EVS, for the countries which participated in both.

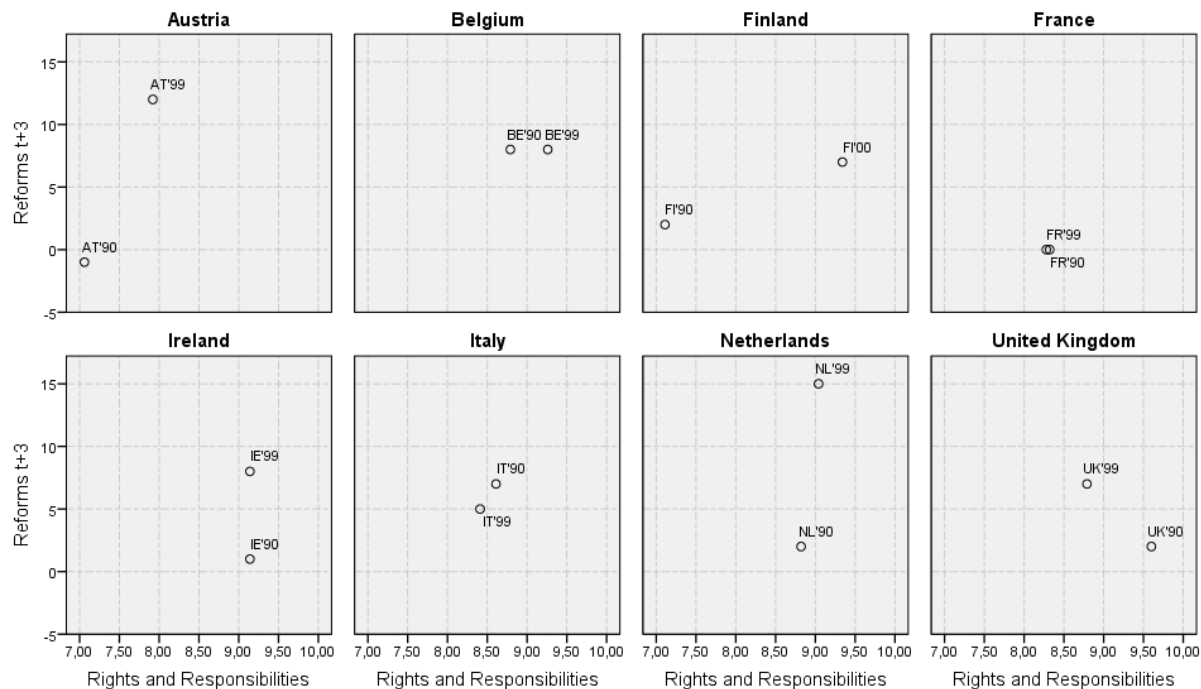


Figure 8; Reforms by attitudes on Rights and Responsibilities, within countries.

<sup>36</sup>  $R^2$  would drop from 0.200 to 0.058.

Considering that we have only two data points for each of these countries, statistical interpretation is out of the question. However, we can visually ascertain whether or not there appears to be some kind of pattern.

Austria, Finland and Italy show a similar pattern in that higher attitudes towards rights and responsibilities correspond with more reforms in the years after. In the UK this is reversed, and in the remaining 4 countries there appears to be no relation at all, as one or both variables remain stable over time. It appears that neither actual attitudes nor changes in attitude from the 1990 to 1999 measurements have a consistent effect on the number of reforms. Those countries that do show a similar pattern – Austria, Finland and Italy – have very different actual attitudes. In Austria attitudes towards rights and responsibilities are amongst the lowest in the sample, whereas the Finnish have made a large jump in attitudes, from very low to very high. If anything, Figure 8 confirms what we have seen earlier, and what can be seen in Figure 7; that the number of reforms grows over time, seemingly independent from attitudes or country. As to any relation between attitudes on rights and responsibilities and the number of reforms in the four years after; there appears to be none.

## REDISTRIBUTION & REFORMS

In the pooled data, we found no relationship between attitudes on redistribution and reforms, but it might be that such a relationship does exist within waves, or within countries. Figure 9 below shows reforms by attitudes on redistribution within EVS waves, Figure 10 shows the same within countries.

Again, there is no real pattern, except that both attitudes towards rights and the number of reforms were higher in 2000. While there is a slight (and nonsignificant) relation in the 2000 wave of the EVS, this is mainly caused by the Netherlands as an outlier with low attitudes on rights and a high number of reforms.

Figure 10 shows that within countries, there appears to be some evidence for a relation between attitudes on redistribution and actual reforms. In Austria, Finland, the United Kingdom and arguably Ireland, higher attitudes towards redistribution go paired with a higher number of reforms. In Belgium, France and Italy, both attitudes and the number of reforms have remained stable. The Netherlands is the one exception, where the number of reforms was significantly higher after the 2000 EVS wave, despite marginal changes in attitudes towards redistribution. Any relationship between attitudes on redistribution and the number of reforms in the four years afterwards - if any indeed exists - seems again in the opposite direction of our hypothesis.

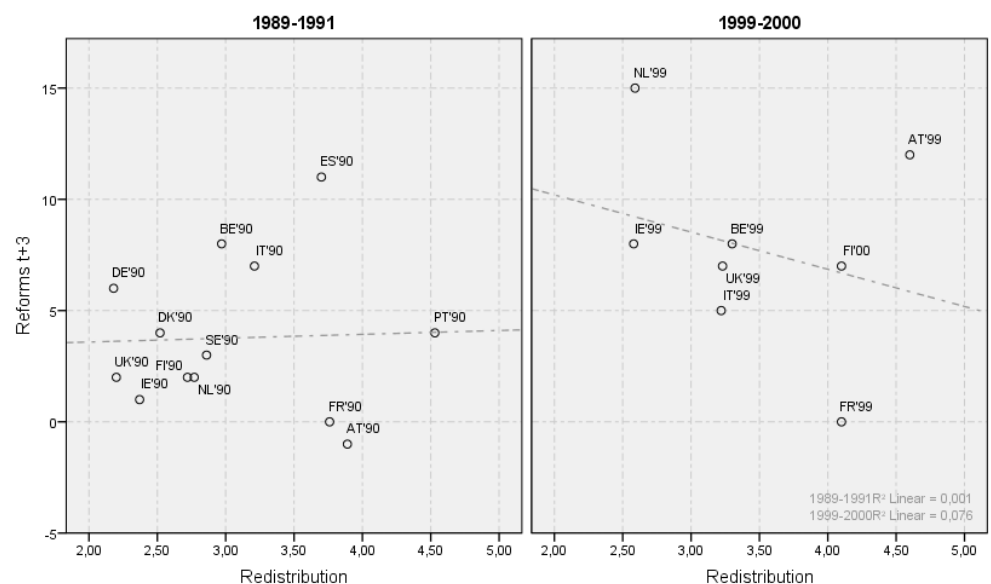


Figure 9; Reforms by attitudes on redistribution, within EVS waves.

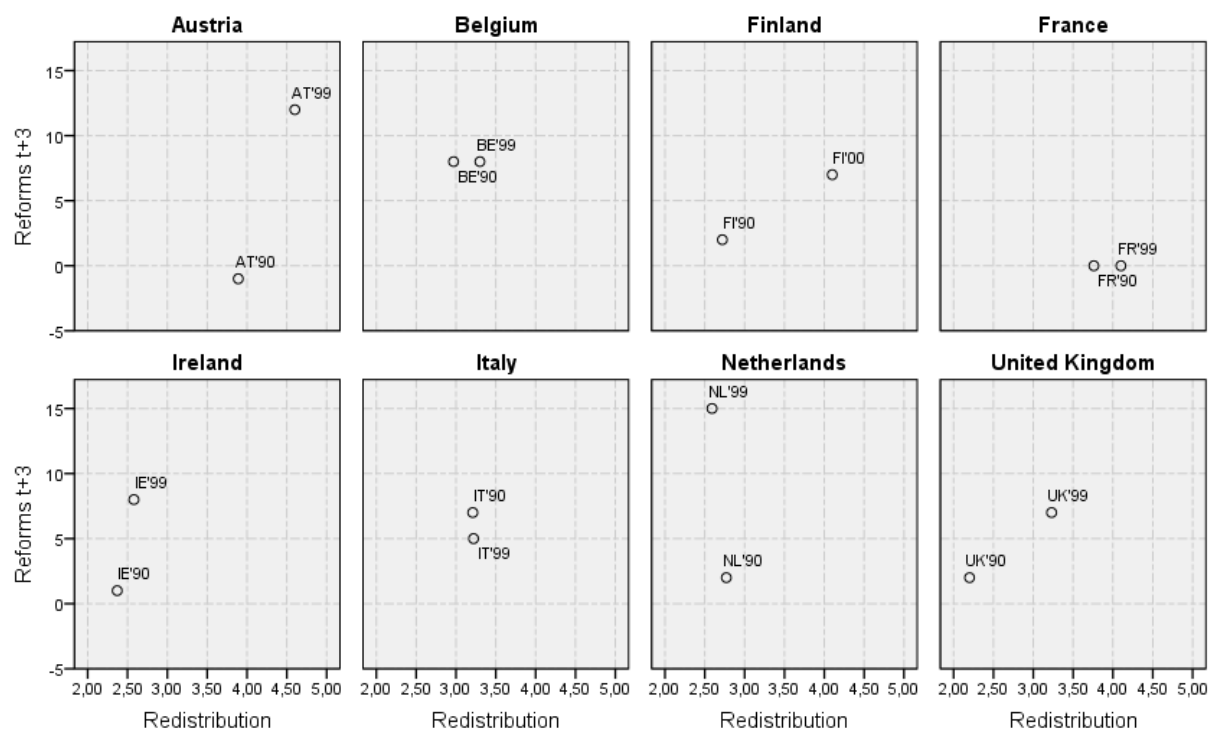


Figure 10; Reforms by attitudes on Redistribution, within countries.

## CONCLUSION

Given the weak evidence for an unexpected positive relationship between attitudes on redistribution and the number of reforms, and the disappearance of any relationship between attitudes on rights and responsibilities and the number of reforms when looking within years or countries, we can conclude with some certainty that public support for redistributive welfare does not reduce the number of reforms towards activation<sup>37</sup>. If anything, the reverse seems to be the case, where higher public support for redistributive welfare *increases* the number of reforms towards activation policies.

These findings on their own are unexpected and counterintuitive; if a welfare regime is popular there should be fewer reforms, not more. However, the mechanics of blame avoidance (Pierson, 1996) and prospect theory (Vis, 2009) might explain the effects we are seeing. Consider the options for retrenchment; a government can either reform or directly cut policy<sup>38</sup>. Given that we are only measuring reforms, what we might really see is governments forced to cut back on welfare expenditure, but choosing to reform instead of repeal policies because of a high level of public support for welfare policies.

<sup>37</sup> With regards to methodology, there are a number of weaknesses in the present study; the limited number of measurements, the long period between measurements and the ambiguity in causality being the most obvious. Increasing the number of datapoints, by reducing the timeframe for reforms from four to one years, and thus including data for the 2008 wave of the EVS, does not reveal a relationship across time, countries, or both. Reversing the causality between public support and policy reform does show a relation between policy reform during the previous 4 years and subsequent attitudes to redistribution, but only in the 1990 wave of the EVS. There is no visible relation between policy reform and attitudes on rights and responsibilities at all, nor is there a relationship between policy reform and attitudes on redistribution within countries, or across countries in the 2000 and 2009 waves of the EVS. See figures 18 – 21 in the annex for the associated plots.

<sup>38</sup> Either by cutting expenditure – and thus benefits – overall, or by repealing policy completely.

If this is indeed the case, then we should see more reforms when there is an economic imperative for welfare retrenchment and there is high support for welfare policies. Consequently, this means that such an economic imperative should also be present in the current sample to explain our findings. In essence, this is what the third hypothesis predicted, and the next section will introduce economic situations as a third variable to test for such an economic imperative; declining economic situations.

## THE INFLUENCE OF ECONOMY

In the previous section, we found that public support for welfare policies alone cannot explain the number of reforms in our sample. In this section we will investigate if introducing economic conditions to this relationship, by means of an elaboration model, provides more insights<sup>39</sup>.

Table 3 shows the model in its simplest form, by categorizing countries into a dichotomy for both the number of reforms and attitudes on the two components of redistributive welfare, and controlling for economic situations in the last three years. Immediately, it is clear that conceptualising economic situations as real GDP growth over the last 3 years was ill-advised, as there are no cases with an actual decline over the last three years<sup>40</sup>. What we can see is a replication of the relation we found between attitudes on rights and responsibilities and the number of reforms earlier, as higher attitudes go paired with more reforms.

		Real GDP change over last 3 years															
		Decline								Growth							
Reforms		Rights and responsibilities <sup>a</sup>				Redistribution <sup>b</sup>				Rights and Responsibilities <sup>a</sup>				Redistribution <sup>b</sup>			
		Low		High		Low		High		Low		High		Low		High	
		0	0%	0	0%	0	0%	0	0%	7	70%	4	36%	7	50%	4	57%
Low		0	0%	0	0%	0	0%	0	0%	7	70%	4	36%	7	50%	4	57%
High		0	0%	0	0%	0	0%	0	0%	3	30%	7	64%	7	50%	3	43%
Total		0	100%	0	100%	0	100%	0	100%	10	100%	11	100%	14	100%	7	100%

a; Dichotomized around the median value, 8,67.

b; Dichotomized around the median value, 3,36.

**Table 3; Reforms (t+3) by attitudes, controlled for real GDP change (t-2)**

Table 4 shows the same relationship as table 3, but with different measures for reforms and real GDP change. To include more of our data in the sample, we now look at reforms in a one year timeframe, and categorize economic situations by *any* year of real GDP decline during the last 3 years. The conceptualizations for attitudes remain unchanged.

The positive association between attitudes on rights and responsibilities and reforms remains during times of economic growth, but becomes less after (or during) a recession. Interestingly, table 4 also shows a negative association between attitudes on redistribution and reforms during economic growth, which turns into a small positive association after a recession. When looking at economic situation overall, we find that after a recession, 2 out of 11 country-years saw reforms implemented, whereas 8 out of 24 countries implemented reforms in times of economic growth, contradicting the hypotheses that governments would be more likely to implement reforms during or after periods of economic decline. Finally, after a period of growth, 13 out of 24 country-years have high attitudes towards rights and responsibilities, whereas after a

<sup>39</sup> In most scenarios, the elaboration model is used to specify, explain, interpret or replicate an existing relationship between two variables by means of a third variable. The mere fact that we do not actually have a relation between two variables should not dissuade us to use the elaboration model, as the third variable could also act as a suppressor variable – suppressing the original relationship -, or as a distorter variable – reversing the original relationship (Babbie, 2007).

<sup>40</sup> In fact there are three, but they are excluded because of the 4 year timeframe for reforms.



recession, only 4 of 11 country-years show high attitudes towards rights and responsibilities. If we look at attitudes towards redistribution, this situation is reversed; 10 out of 24 country-years have high attitudes towards redistribution after a period of growth, whereas after a recession this proportion rises to 7 out of

#### Any recession in last 3 years <sup>b</sup>

		Recession								Growth							
		Rights and Responsibilities				Redistribution				Rights and Responsibilities				Redistribution			
		Low		High		Low		High		Low		High		Low		High	
Reforms <sup>a</sup>	No	6	86%	3	75%	4	100%	5	71%	9	82%	7	54%	8	57%	8	80%
	Yes	1	14%	1	25%	0	0%	2	29%	2	18%	6	46%	6	43%	2	20%
	Total	7	100%	4	100%	4	100%	7	100%	11	100%	13	100%	14	100%	10	100%

a; Reforms at t0, yes if any in activation, no if none or away from activation.

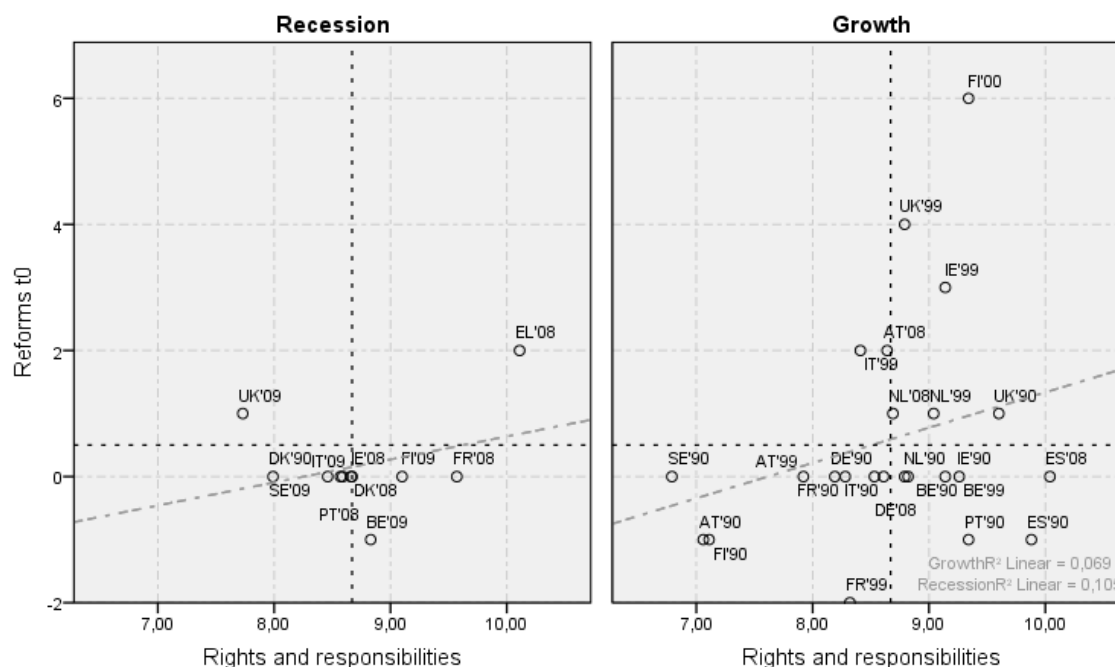
b; Coded as recession if real GDP decline in any of the last 3 years, growth if growth (no matter how small) in all three years.

**Table 4; Reforms (t0) by attitudes, controlled for recession in the last 3 years.**

11. This suggests that a recession increases public support for redistribution, but at the same time makes citizens more critical about rights and responsibilities<sup>41</sup>.

## PARTIALS

In the following section, we will look more closely at the partial relationships disclosed in table 3 and 4. Figure 11 shows the effect of economic situations on the relation between attitudes on rights and responsibilities and reforms. While there is no significant linear relationship, from the data we have here it



**Figure 11; reforms (t0) by attitudes on rights and responsibilities, controlled for economic situation.**

<sup>41</sup> This matches our expectations; as financial resources become sparse, who is deserving becomes a more pressing question.

does almost appear that both growth and high attitudes towards rights and responsibilities are necessary conditions for reforms<sup>42</sup>, as only 2 country-years have implemented reforms during a recession.

Figure 12 shows reforms by attitudes on redistribution, split by economic conditions. A similar effect can be seen, where reforms are implemented almost exclusively in country-years that have experienced economic growth over the last 3 years. If we were to ignore Finland and Austria as outliers, the relation between attitudes on redistribution and number of reforms is reversed during times of recession. After a period of growth, reforms are almost exclusively implemented in country years that have low attitudes towards redistribution, whereas during or after a recession, the two countries that have implemented reforms both had higher than average attitudes towards redistribution.

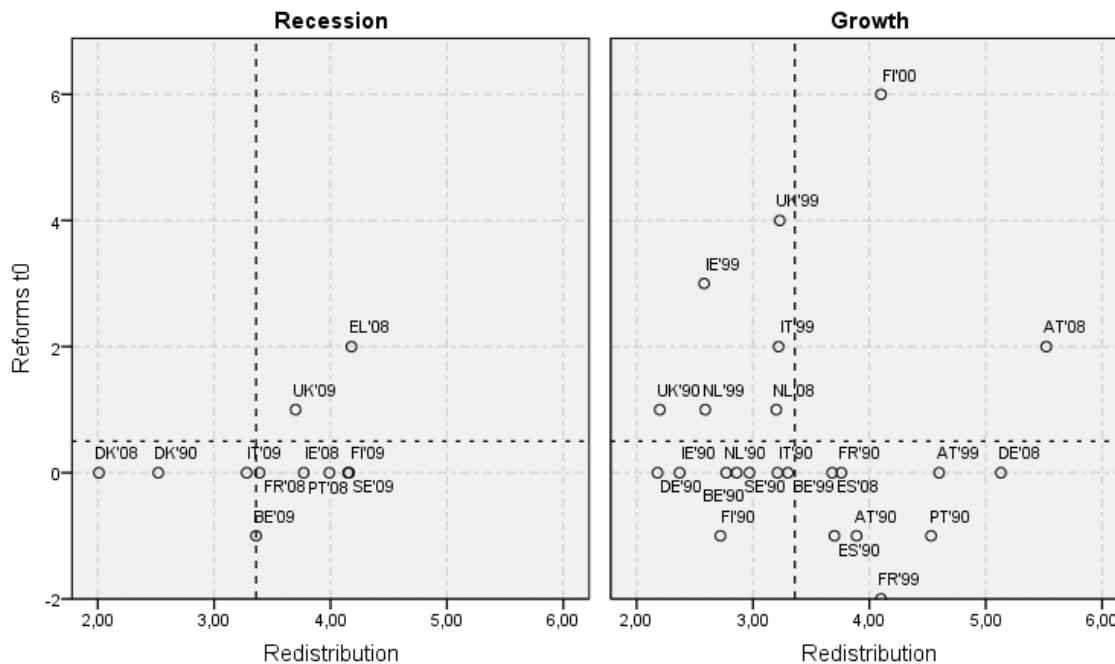


Figure 12; reforms (t0) by attitudes on redistribution, controlled for economic situation.

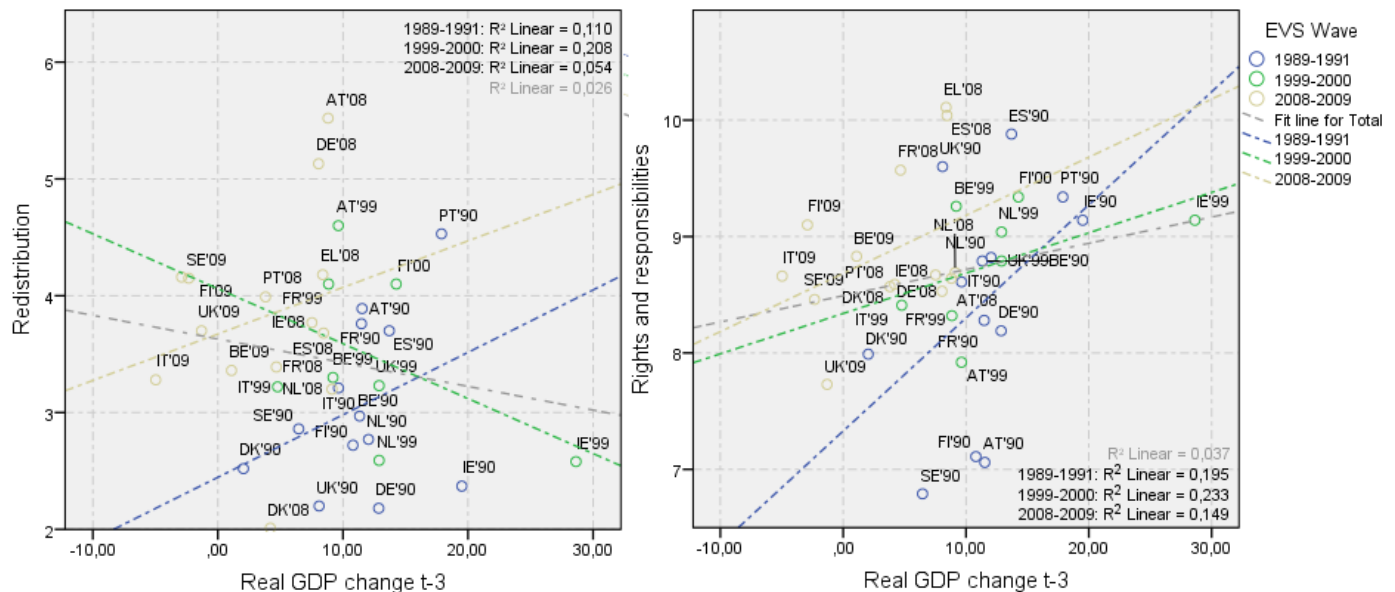
While these partial relationships seem to point towards a specification and interaction effect of economic conditions on the relation between public support for welfare policies and the number or reforms, we have to keep in mind the data is far from ideal. We are using reforms during a one year period in order to include more recent data. The problem is then that nearly all country-years<sup>43</sup> in the sample that fall in the recession group, are also from the most recent EVS wave. It is entirely possible that the effects we attribute to economic conditions are, in fact, merely a function of time, or some other third variable. The next section will look at the relation between economic conditions and public support and reforms separately, and in more detail.

<sup>42</sup> Indeed, we already knew that higher attitudes on rights and responsibilities went paired with more reforms over a four year period, so this result is not simply an artefact of using a short timeframe for reforms.

<sup>43</sup> Denmark-1990 being the sole exception.

## ECONOMIC SITUATIONS AS AN EXPLANATION?

Figure 13 shows attitudes on both redistribution and rights and responsibilities, by real GDP change in the three years prior. At first glance both seem completely random, but after controlling for EVS wave some relations do appear, especially in the rights and responsibilities component. It appears that a single moment in time (or an EVS wave, as is the case) countries that have had higher GDP growth have stronger attitudes for rights and responsibilities<sup>44</sup>, suggesting they feel that people on benefits should have more rights. This conforms what we saw earlier in the cross-tabulation. As to attitudes on redistribution, the picture is less clear. In the 2008 wave of the EVS, there appears no cross country association between GDP change and attitudes. In the 1990 and particularly the 1999 wave, there is an association. Nevertheless, the overall association after controlling for EVS wave is insignificant.



**Figure 13; components of public support for redistributive welfare by real GDP change over the last 3 years.**

Controlling for country is difficult – let alone statistically impossible – with a maximum of three cases per country, but a quick visual inspection of the partials of redistribution by real GDP change<sup>45</sup> shows that in the majority of countries in our sample high GDP growth goes together with lower attitudes towards redistribution. The reverse is visible in France and Portugal, whereas in Spain and Italy attitudes on redistribution remain stable<sup>46</sup>. Ironically, when looking at within country plots of attitudes on rights and responsibilities and real GDP change, the association seems to disappear, with an equal number of positive and negative partial associations<sup>47</sup>. This suggests the intervention of a country-level effect, however from the partial plots it is not immediately clear what this might be.

<sup>44</sup> Pearson's  $r = .398$ ,  $P = .041$ ,  $df = 18$ .

<sup>45</sup> Figure 22, in the annex.

<sup>46</sup> The grouping of countries is interesting, as it might suggest a different effect for Mediterranean countries. Sadly, we have neither the time, space, nor data to investigate this hypothesis.

<sup>47</sup> Figure 23, in the annex.

Finally, Figure 14 shows an absence of any direct association between real GDP change and reforms. After controlling for country and year<sup>48</sup>, we can still find no evidence for any relation between real GDP change over the last 3 years and reforms in the next 3 years.

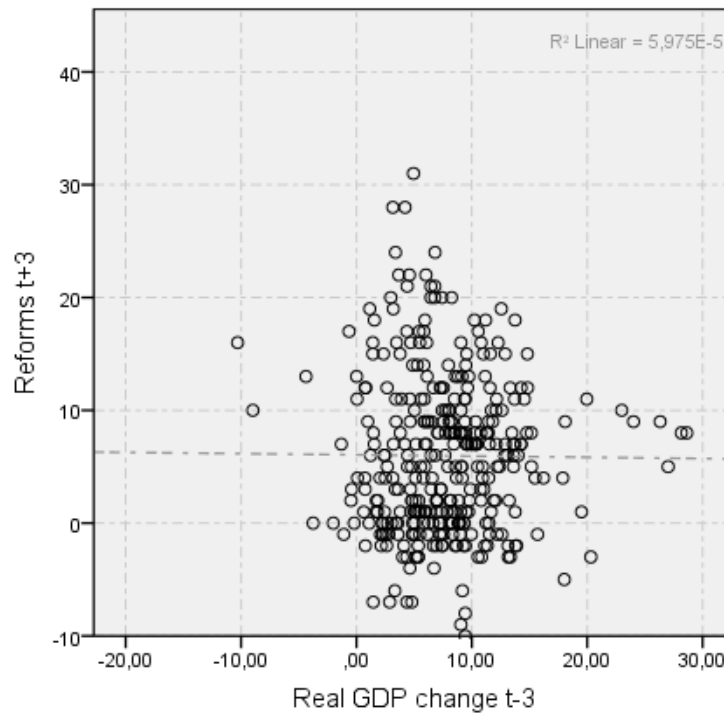


Figure 14; Reforms by real GDP change.

## CONCLUSION

In the previous sections, we first discovered what looked like a specification effect for economic conditions on the relation between attitudes on rights and responsibilities and reforms, and on the relation between attitudes on redistribution and reforms.

Economic situations appear to act as a specification variable; after a period of growth the effect of attitudes towards redistribution on reforms is negative; higher attitudes towards redistribution go together with fewer reforms. If a country has had recession in the last 3 years, this effect is negated and possibly reversed. The effect of economic conditions on the relation between attitudes towards rights and responsibilities and reforms is precisely the reverse; in country-years having experienced a recession, higher attitudes towards rights and responsibilities appear to have no effect on reforms, but in country-years experiencing real GDP growth, higher attitudes towards rights and responsibilities go together with more reforms towards activation.

Upon closer examination of associations between real GDP change and attitudes, we found that GDP change has a significant association with attitudes on rights and responsibilities across countries, where countries with a higher real GDP growth had higher attitudes towards rights and responsibilities than countries with a lower real GDP growth at the same point in time. However, when looking at within country plots, this association seems to disappear. Conversely, we could find no statistical association between real GDP growth and attitudes toward redistribution overall or across countries, but looking at within country

<sup>48</sup> Since we are not using attitude data, we are not bound to EVS years for our analysis. This means we have, for once, an abundance of degrees of freedom, with nearly 30 years of data for 14 countries.

plots did show a possible pattern. In the majority of countries of our sample – the northern European countries – a negative link between real GDP growth and attitudes towards redistribution was visible; in years after high real GDP growth attitudes towards redistribution were lower than in years after a recession. In Mediterranean countries, there was either a positive link, or no link at all.

Real GDP growth directly affects attitudes towards rights and responsibilities across countries, thereby indirectly influencing the number of reforms, based on the partial relationships we found earlier. However figure 14, based on a much larger sample size, shows real GDP growth over the past three years is *not* directly related to the number of reforms in the following three years. This conflicts with the results from the partial relations, where we found that reforms happened almost exclusively in country-years that had experienced growth over the last three years. Again, it appears there is an underlying variable in our sample distorting the results<sup>49</sup>.

## CONCLUSION AND DISCUSSION

We stated two hypotheses at the start of this thesis, describing the expected relation between public support for redistributive welfare and the speed and direction of welfare reforms, before and after controlling for economic situations.

- (a) *The higher the public support of redistributive welfare policies, the slower welfare policies will reform towards activation based policies.*
- (b) *When a countries' economic situation is stable or improving, high public support of redistributive welfare will slow down welfare reform towards activation. When a countries' economic situation is deteriorating, the effect of public support on welfare reform will largely disappear.*

Analysis of a possible bivariate relation between public support for redistributive welfare policies and the speed and direction of reforms, by looking at attitudes towards redistribution and attitudes towards rights and responsibilities, has failed to provide a conclusive association. The hypotheses that high support for redistributive welfare policies decreases the number of reforms towards activation can be rejected. If anything, the evidence points towards an opposed relation where support for redistributive welfare policies actually *increases* the number of reforms towards activation policies. We suggested that if we saw reforms as the alternative to direct cuts of welfare policies, the mechanisms of retrenchment might explain these results. If this is indeed the case, we expected to see more reforms in times of economic decline.

Introducing economic conditions as a third variable through the use of an elaboration model shows a possible specification effect, where past economic conditions negate or even reverse the effects of public support for redistributive welfare on the speed and direction of reform. Furthermore, we found evidence that economic conditions directly affects one component of support for redistributive welfare; attitudes towards rights and responsibilities, although this association only existed across countries, not within countries.

Although we did find an interaction effect, it does not match the hypothesis. In fact, the data indicate that declining economic situations actually lower the effects of public support on reforms, regardless of the original direction of the effect. During periods of growth high attitudes towards rights and responsibilities appear to *increase* the number of reforms towards activation, whereas high attitudes towards redistribution appear to *decrease* the number of reforms towards activation. Furthermore, in the sample of country-years participating in the EVS, we found that reforms were implemented almost exclusively after or during times of real GDP *growth*. In a larger sample of all country-years we found no relation at all between real GDP

<sup>49</sup> Keeping in mind that nearly all recession country-years are in the latest EVS wave (2009), there may not have been enough time for governments to react and implement reforms, lowering the amount of reforms we can see, and skewing the results of the trivariate analysis.

growth and the number of subsequent reforms. Even accounting for the limited timeframe of measurement after the onset of the current economic recession, we would expect to more reforms in earlier country-years having experienced a period of GDP decline. This conflicts with the blame avoidance/prospect theory hypothesis, as governments were hypothesized to be generally reluctant to reform popular welfare policies, and only do so when they have no other choice.

Within our sample then, there is only limited evidence that blame avoidance can explain the fluctuations in reforms we can see. It is possible that the narrative of permanent austerity (Pierson, 2002) provides a sufficient reason to reform despite actual attitudes towards welfare policies. However, since we have no or very limited data before 1980, we cannot explicitly test this scenario – a very dissatisfying situation indeed.

A second alternative explanation might be found in the theories of deservingness (Bambra & Smith, 2010; van Oorschot, 2000, 2006, 2008). We measured attitudes on welfare policies based on questions that do not allow for distinctions between population groups. The work done by van Oorschot and others found that attitudes on what (sub-)groups of the population are deserving of welfare changes over time and depending on context. It is possible that the reforms that were implemented were based on these perceptions of deservingness, targeting and excluding those sub-groups that were seen as (no longer) deserving of welfare. If this is indeed the case, such reforms would not necessarily be unpopular, and smaller sub-groups would have less power to influence the political arena – invalidating the main assumptions of blame avoidance. The data we currently have available is not detailed enough to test for this theory, but if this is the case one should be able to see a parallel to what groups are not (anymore) seen as deserving, and the target of reforms in a country.

Overall, the mixed evidence we found in a number of our analyses is somewhat of a problem, and most likely represents the difficulties in a simplistic approach to a complicated problem. We found indications that country-level variables, possibly even regime types, might play a role. It is likely that other variables, such as the current structure and generosity of benefits, political alignment of current governments, and degree of ageing to name a few, also play a role.

## RECOMMENDATIONS

Researching reforms as a result of public opinion is a relatively new activity within the social sciences, and the number of unknown variables is immense. This thesis has shown that there are relations to be found, even in a relatively simplistic research design. Future research should aim to replicate our results by using public opinion and reform data from other sources, and expand the field by including other related concepts.

To replicate this study, the ESS would be a prime candidate, as it is unique in measuring public opinion on welfare policies every 2 years. In using a net with smaller holes, we can expect to catch more valuable results. There appears no good replacement for the fRDB that I am aware of, however the lack of data after 2009 presents a serious problem to any attempt to analyse post-crisis welfare reforms.

The mechanics of blame avoidance and prospect theory, as well as the role of perceptions of deservingness in government decisions to implement specific policy reforms deserves further attention, particularly in the context of a causal influence of public support on reforms.

In order to expand the field, the effects of current structures and generosity of benefits, political spectrum of governments and the (perceived) sustainability of welfare policies – particularly in relation to an ageing population and the proportion of workers to pensioners – might prove useful starting points.

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## ANNEXES

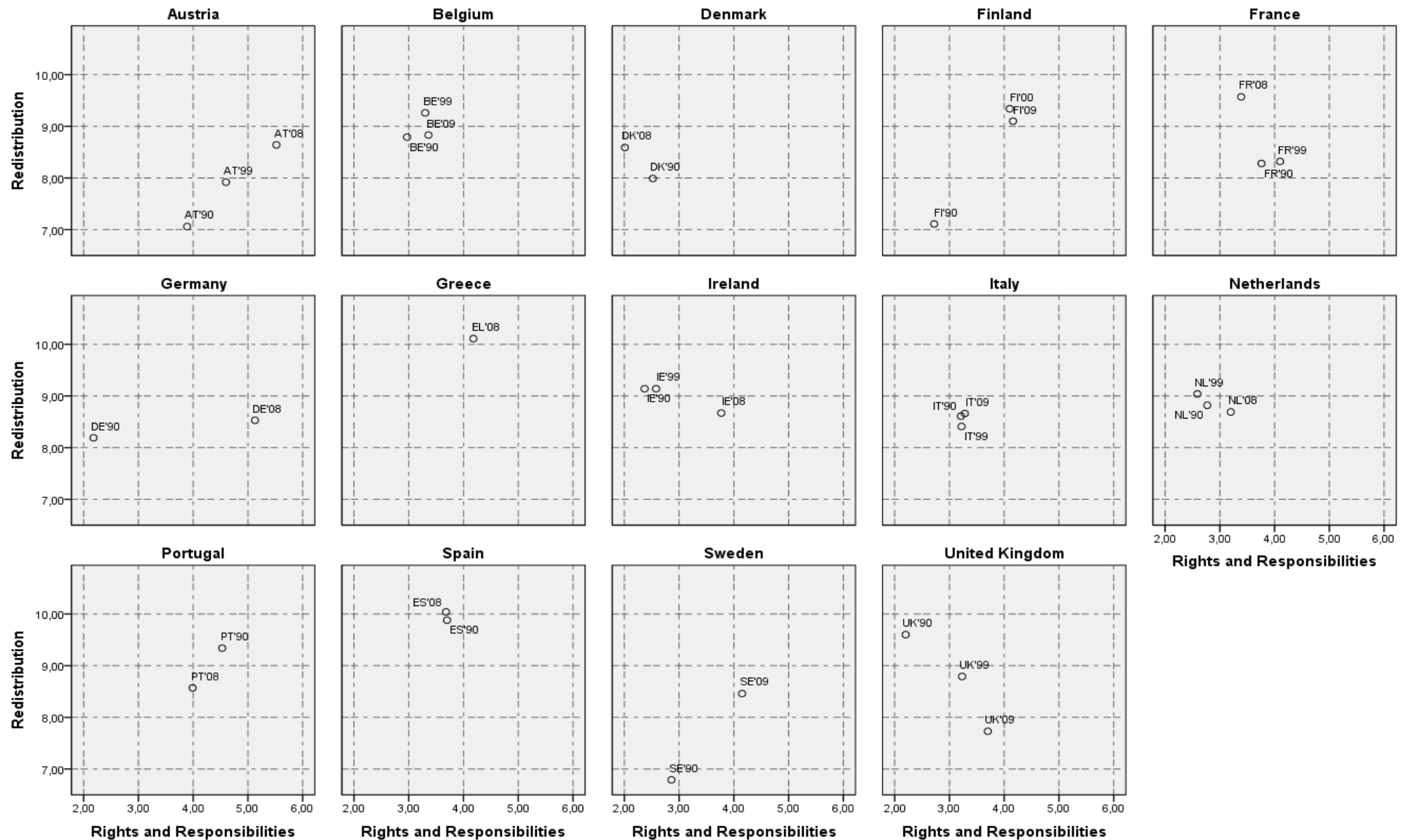


Figure 15; Attitudes towards redistribution, rights and responsibilities by country. (Source; author's calculations based on EVS 1990, 2000 and 2010)

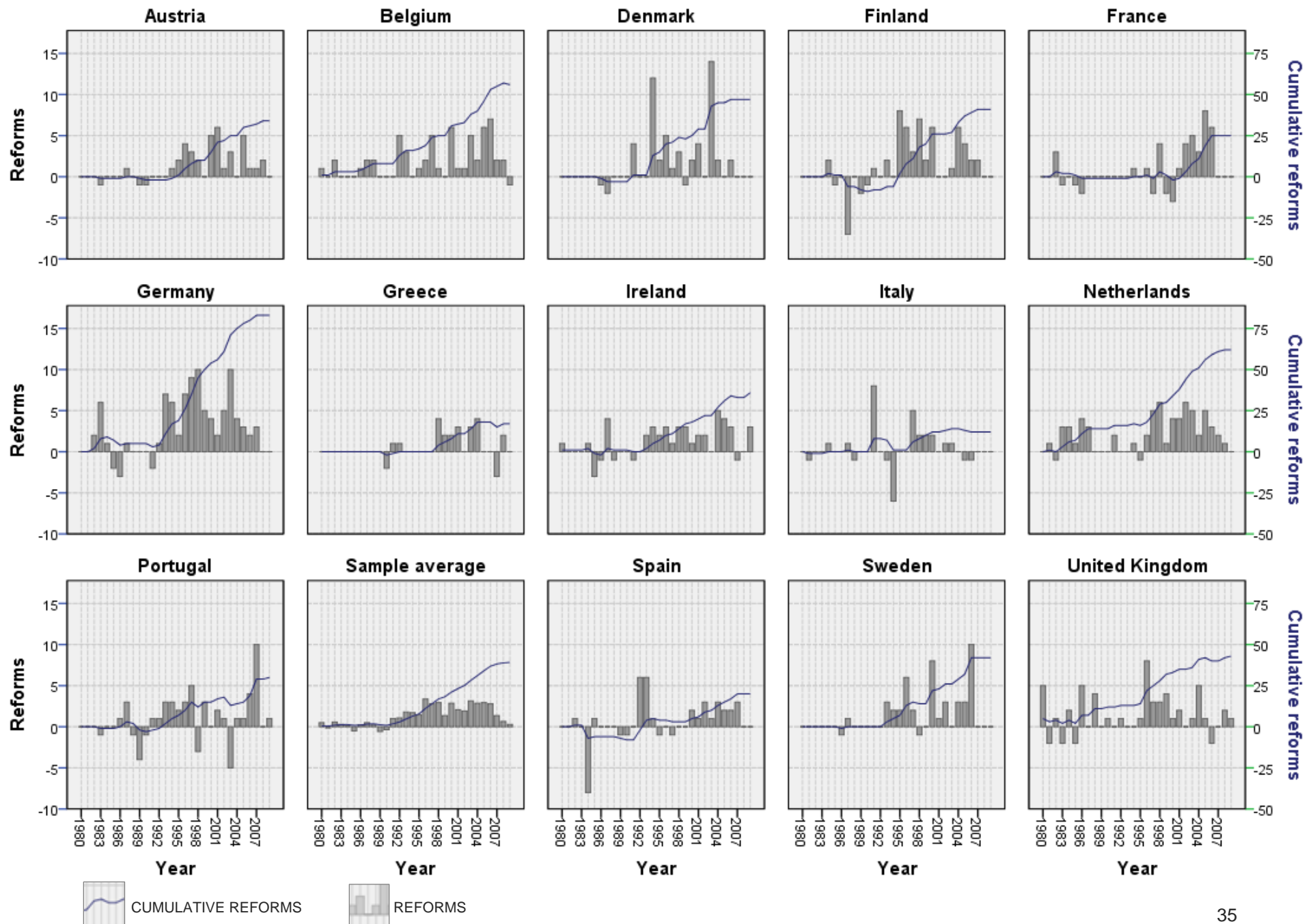


Figure 16; Reforms and Cumulative reforms over time, by country. (Source; author's calculation based on EVS 1990, 2000, 2010).

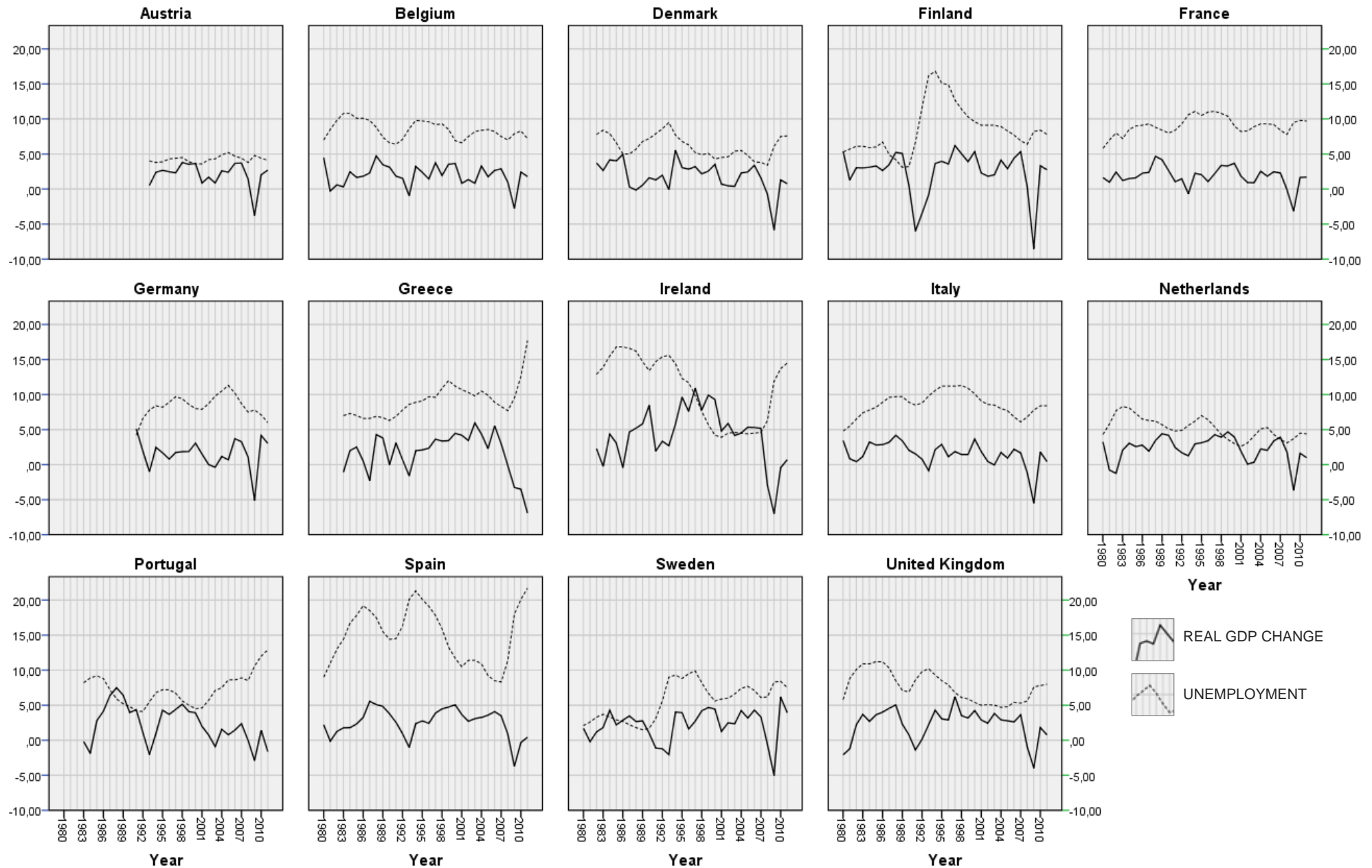


Figure 17; Real GDP change and Unemployment over time, by Country (Source; OECD, 2013)

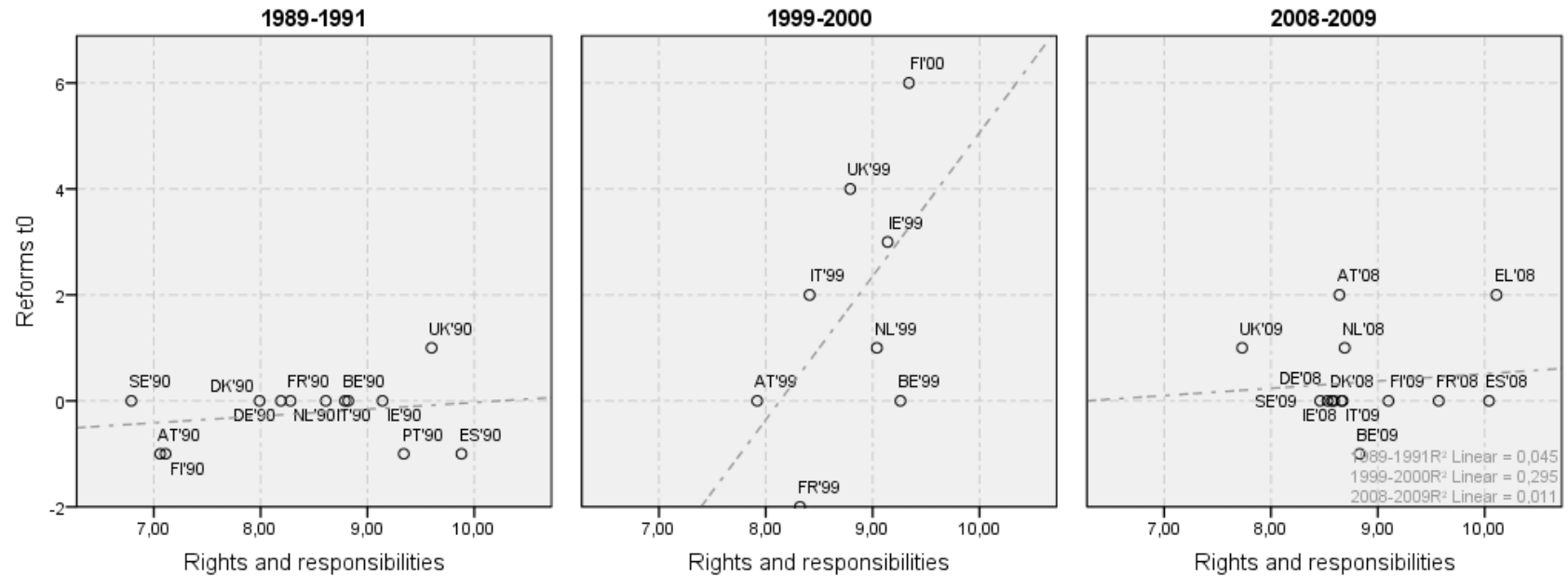


Figure 18; Reforms (t0) by attitudes on Rights and Responsibilities, within EVS waves.

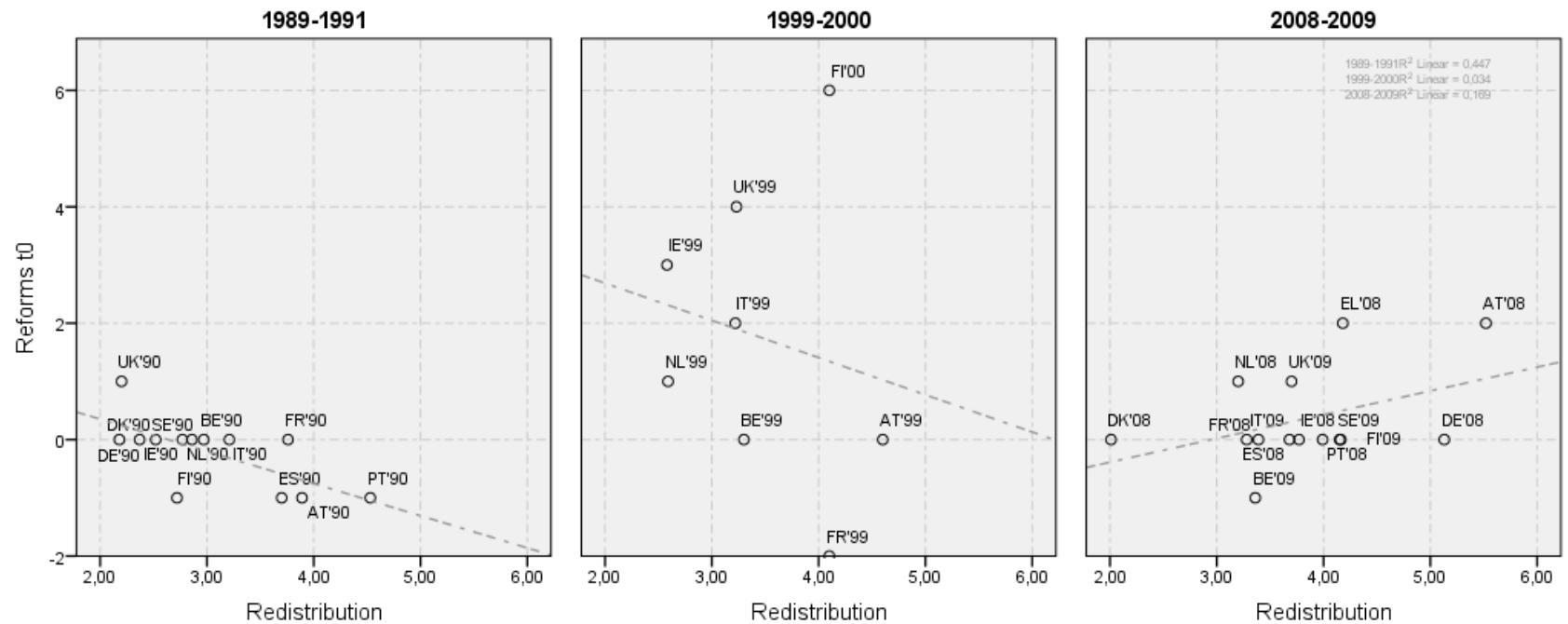


Figure 19; Reforms (t0) by attitudes on Redistribution, within EVS waves.

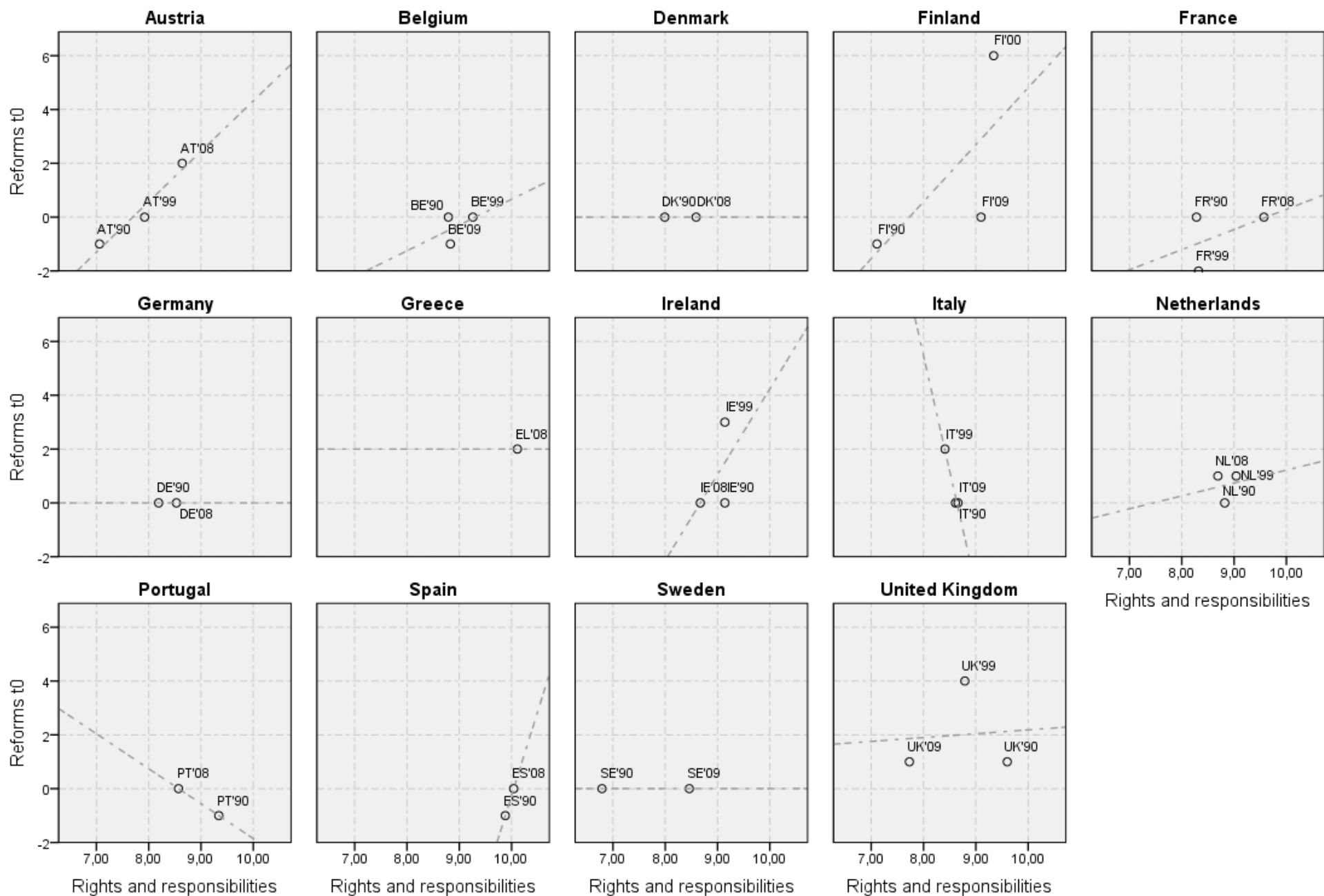


Figure 20; Reforms (t0) by attitudes on Rights and Responsibilities, within countries.

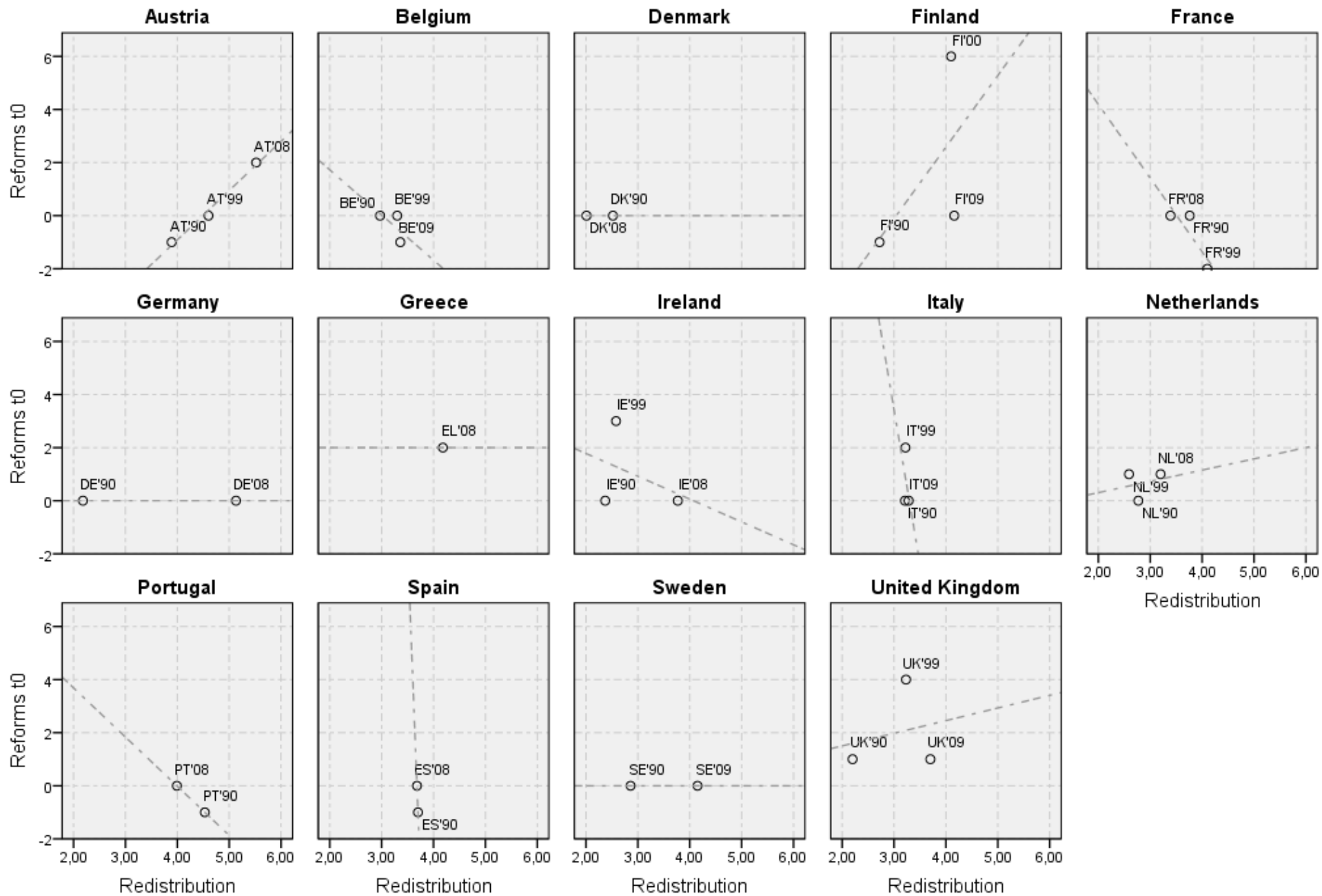


Figure 21; Reforms (t0) by attitudes on Redistribution, within countries.

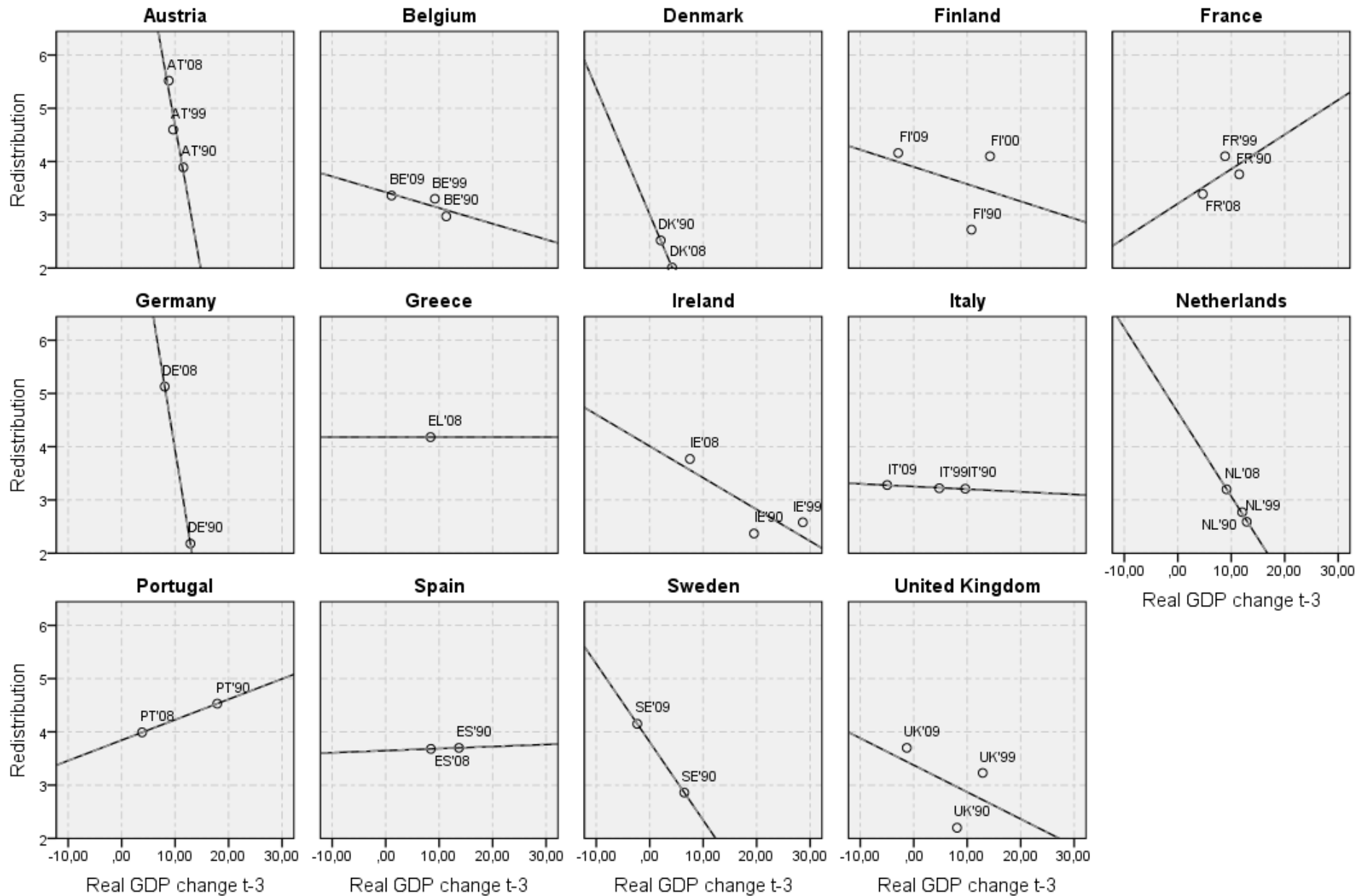


Figure 22; Attitudes on redistribution by real GDP change, within countries.



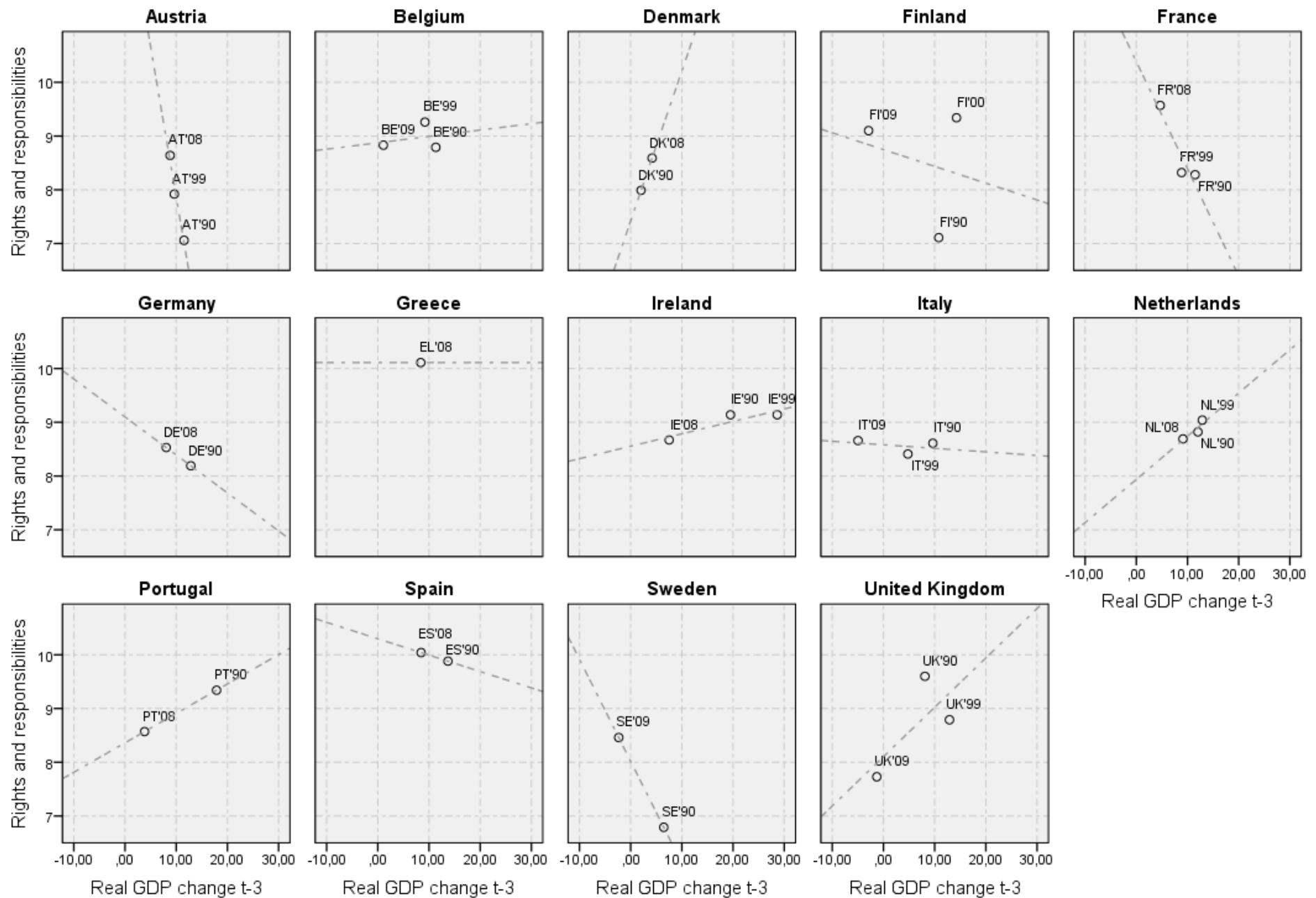


Figure 23; Attitudes on rights and responsibilities by real GDP change, within countries.

