

High Water against the Dikes: Changing Welfare States and the Economic Crisis

Abstract

This research has assessed the way different welfare state types responded to the economic crisis. These collided in multiple ways. In first instance, social policies functioned as a buffer against the economic downturn. Later on in the process, they became subject of retrenchment when governments tried to control fiscal pressure. By doing so, confirmation is found for the neo-functional hypothesis, which argues that a fiscal deficit can function as problem pressure for social policy change. Our case study analysis of processes in Ireland and the Netherlands shows that this causality holds true for both cases, but a number of differences have to be noted. Relatively, more retrenchment occurred in the Irish case. Analysis shows that an explanation for these differences can be found in the influence of different political-economic contexts. Following from the loyalty-hypothesis, we note that the liberal and individual Irish model indeed seems to create less loyalty than the collective Dutch one. Therefore, making it easier to adapt since less resistance will be present.

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Introduction

And so it begins: the crisis

On September 15th 2008, treasury secretary Henry Paulson gave a press conference in Washington DC (Paulson, 2008). When we look at the Ping-Pong game between him and the journalists gathered, we observe a tired man who is trying to show as much calmness and control as possible. That day one of America its biggest banks had filed for bankruptcy, causing a wave of panic to run through the financial world and beyond.

One of the questions directed at him addresses the fact whether the American people have reasons for concern. No they do not, Paulson replies. The financial system is stable and safe. Even more, the problem at hand is a correction in the housing market, which is causing the current turmoil. He states that in his belief, this housing correction can be over in a number of months and thus so can the crisis. However, when we fast forward a number of months in time and take stock of the situation, it seems to be a different world than Paulson predicted at that particular press conference.

The problem quickly evolved from a financial crisis into an economic crisis with industrial output and employment dropping in a fast pace in the United States (Kotz, 2008). Governments bailing out troubled banks all over the world highlighted the following year. The situation came with a magnitude that nobody predicted or anticipated on, and when former chairman of the Federal Reserve Alan Greenspan had to testify for congress, he too admitted that he still did not understand what happened and was in 'a state of shocked disbelief' (New York Times, 2008). This confusion seems to have been rather contagious. When the Dutch minister of Finance presented the budget on September 15 2009, exactly one year later, he as well argued that the worst was behind. However, as we know now, the years that would follow from that point are characterized by rising unemployment, a deep and severe Euro crisis and stagnation of economic growth.

A pancake landing

The force and impact of the 2008 economic crisis have been compared many times with the Great Depression of the 1930s. However, the images of deep poverty, people in line for food stamps and mass protests that we associate with that period do not seem to resemble at all with our current situation. The main reason for this seemingly 'pancake landing' was the fact that especially European countries had built up extensive programs of social policy that prevented the increasing group of unemployed and elderly from falling back into poverty once the thunder started (Holslag, 2013). These welfare states also ensured that a minimal level of demand was sustained, saving entire economies from collapsing.

However, it has been that same welfare state which has been under pressure over the last years. The notion of social policies, or the welfare state, developed in Europe especially after the Second World War. During the reconstruction of a destroyed Europe, the idea crystallised that a package of social policies should be designed that would not only be a safety net, but thrive to offer the best public

services possible, carried by a collective societal responsibility. The founding idea was that everybody would at some point in his life need these social services and that a harmonization would be needed between the market economy and a certain level of security (Spicker, 2013). It was the government who was to play an important role as facilitator.

This started to change from the 1970s onward. The crash of the Bretton Woods regulated currency system, in combination with the Oil crisis paved the way for a new school of thinking: neoliberalism. On the first of April, in 1947, forty philosophers and economists met each other in a small Swiss town called Mont Pèlerin. The Austrian philosopher Friedrich Hayek chaired the meeting, and among the visitors was a young Milton Friedman. The group would evolve into an important think tank with as its main line of thought the idea that government should do less in order to make way for the free market (Friedman, 1951). During the 1970s, Friedman was chairman of the Mont Pèlerin group and experienced his finest hour. The neoliberal discourse made its way into politics with Ronald Reagan and Margaret Thatcher being its most famous missionaries. Even the European social democratic movements got influenced by this ideology, eventually formulated by the left parties as the so-called 'third way'; an attempt to unify government responsibilities and free market ideology (Giddens, 2013).

From this point on, perceptions about the role of government in society in general, and the welfare state in particular, started to shift. Government had to do less and spend less, in favour of the free market. In the on going academic debates, it is still not decided to which extent this period of ideological shift has changed the welfare state, presumably in a retrenching direction. Indeed, large reforms did not take place (Pierson, 1994). But the effects of a longer incremental process are not to be underestimated either (Hemerijck, 2013). What we do know now, is that inequality within societies is increasing in a fast pace. Besides from a disturbance caused by the two world wars, has the return on capital been larger than the average economic growth. Hence, a decreasing share of the pie is flowing back to labour. Maybe not coincidentally, this level of inequality has been accelerating since the 1990s (Piketty, 2014).

The welfare state was always supposed to be the guardian of the middle class. Out of a sense of justice, but equally important out of the conviction that a flourishing middle class is the engine of a healthy economy. It is therefore noteworthy that the mentioned inequality does not only affect the lower classes anymore, but is now responsible for the decline of the middle class as well. This process is further developed in the United States, where the distribution of wealth is increasingly unbalanced, and on the political level people seem unable to free themselves from the paradigm in which this status quo is considered to be a natural state of being (Hacker & Pierson, 2011). Even though the European situation is less extreme, we are undeniably moving in the same direction. This rising inequality and decline of the middle class have the potential of shaping a disruptive force that has not been seen in decades.

Francis Fukuyama describes this process as a fundamental threat to the existence of liberal democracy coming from the blunt presumption "No

bourgeois, no democracy" (2012: 7). The middle class has always shaped the foundation of modern day democracy. The Marxist apocalypse of capitalism did not happen, partly because capitalism generated bourgeois middle class societies instead of industrial working classes. But how is one to judge the stability of this system when rising inequality leads to decreasing social mobility and wage stagnation? It is in such a climate that nationalism and populism tend to grow well (Fukuyama, 2012). While values that are associated with liberal democracy like openness, freedom and tolerance might experience increasing pressure. Undeniable, populist parties have experienced enormous success over the last couple of years throughout large parts of Europe.

Responses

Right after the economic crash of 2008, we witness an electoral shift towards the right. In most countries, liberal parties manage to win elections over their social democratic counterparts. There is a paradox in this development: even though neoliberalism, its ideology of deregulation, less government and its financial institutions are blamed for the crisis, voters perceive them as the most capable of solving the economic problems. At this point, most countries had to deal with high debts they made when trying to bail out financial institutions (Blyth, 2013).

This moment is marked as the turn to austerity. Among other things caused by a paper arguing that government debt can be extremely harmful for economic growth, governments switch their policies towards large budget cuts (Reinhardt & Rogoff, 2010). The question rises to which extent this period of austerity has had consequences for the European welfare states. Social policies shape one of the largest government expenditure posts and have logically been rising during the economic turmoil. It is this question to which we would like to make a contribution. How did European welfare states respond to the economic crisis?

Debates

When one dives into the academic debate focusing on welfare state change, multiple chunks of literature come forward. And each of them corresponds to its own hypothesis. They will play an important role in structuring this research. The first section of literature stems from the work of Esping-Andersen (1989). It is founded upon the importance of political-institutional factors. He has designed three different types of welfare states. From his classification follows the hypothesis that generous and collective welfare states will prove harder to reform than the opposite way around. He states that generous and developed welfare states create broad middle class loyalties. It will thus be electorally risky to retrench welfare states supported by broad class loyalties.

The second hypothesis stems from a part of the debate that we could call the neo-functionalist debate. It is categorised as neo-functionalist because of its focus is on the effects of economic globalisation and integration. This chunk of literature sees policy change mainly in the light of socio-economic changes, leading to a high 'problem pressure'. Changes in competitiveness, economic growth and unemployment are argued to be important factors in building up a problem pressure. In this argument, political-institutional factors are rather intervening factors than actual driving forces (Starke, 2006). Following from this

is the hypothesis that a strong economic crisis will lead to a form of welfare state retrenchment.

The third building block of literature is shaped by the New Politics approach of Paul Pierson (1994). This hypothesis mainly brings forward the resilience of welfare states as a central concept. Pierson argues that even under pressure, welfare states are objects that hardly move. The two main reasons for this have to do with the *goals* of politicians, and the *context* in which welfare states operate. Concerning the first, it is said that welfare states enjoy a high level of popularity. Because of this, policy-makers and politicians will be reluctant to severely retrench them since it will block their chances of getting re-elected by the latter. Regarding the context of welfare states, Pierson argues that they have become heavily institutionalised, locked-in and protected by interest groups, making it extremely difficult to retrench without running into major resistance.

The fourth and final theoretical brick is composed of the so-called 'ideational approach'. Argued partly by scholars such as Hemerijck (2012) and Blythe (2013), its focus is on the importance of dominant conceptions and ideas. An important aspect is how, why and when dominant conceptions get challenged and changed. Second it considers the cognitive orientation of policy-makers as an important aspect of policy change. Such considerations also put more focus on the role of idea-brokers such as the European Commission and to lesser extent the OECD. The hypothesis that follows states that a dominant policy idea will play an important role in policy change.

The shape of the research

Taking all of the above building blocks into consideration, this research will focus on the following question: *how did different welfare state types respond to the economic crisis?* The economic crisis functions as independent variable, affecting the dependent variable of welfare state change. Besides this empirical question, a more theoretical question seems relevant as well: *what is the effect of high problem pressure on the dynamics of policy change?*

In order to accurately assess the dynamics of policy change, we will conduct a comparative case study between two countries with different welfare state types. In our case, these will be the Netherlands and Ireland. Using the dynamics of these cases, we will hopefully be able to make an empirical and a theoretical contribution to the academic debate; by observing the way these welfare states responded to the economic crisis, as well as measuring the explanatory strength of the different academic sections concerning the relation between policy change and external shocks.

In the following section, we will start off by expanding our understanding of the concept of the welfare state. After, we will continue by explicating the theoretical building blocks that shape the analytical foundation of this research.

Theoretical framework

In this section, we will work on the construction of a theoretical framework that enables us to answer the questions laid out in the introduction, assessing the responses of welfare states to an economic shock. In order to do so, we need to get a grip on three different components allowing us to build a theoretical model that is up for the job. First of all, we have to grasp the meaning of 'the welfare state'. Second, we will have to regard general theoretical discussions on dynamics of changing welfare states, and the hypotheses that they hold. These are the four theoretical 'building blocks' of this research, which shape its explanatory power. However, with just these components we would not be able to build a sufficient model since we would have no perspective on processes of policy change in itself. That is why third of all, after that, we will have to design a theoretical component focusing on more general processes of external shocks and policy change. Only when merging these components together - (1) *what is a welfare state*, (2) *how does it change* and (3) *what do these policy processes look like?* - we will be able to design the theoretical model and analytical tools necessary to assess how external an economic shock leads to possible welfare state policy change. This chapter will be built up according to these three components.

Grasping 'The Welfare State'

The concept of the welfare state is in itself an umbrella term. We use it to describe specific policy arrangements within countries. However, the term welfare state may have a different meaning in the United Kingdom than it has in Sweden. In developing expectations about the effect of the economic crisis on changes in these arrangements, it is necessary to start by developing a broader understanding of the concept itself and how it can differ between countries.

As a starting point for this search, we will use the framework as it was developed by Esping-Andersen (1989). He argues that in a narrow sense, the welfare state concerns social amelioration and in particular income transfers and social services. A definition following this approach would focus on a citizen-state relationship in which the latter is responsible for ensuring a minimum level of welfare. It leaves many issues aside that could be considered equally important such as the extent to which policies are emancipatory and legitimate. However, he prefers a broader approach of the welfare state, focusing on the state its larger role in managing the economy (Esping-Andersen, 1989). According to him, the goal of welfare states is to aim at a certain extent of *de-commodification* and *social stratification*. A brief elaboration follows now.

De-commodification

In the system of the market, individuals are dependent on the earning of money in order to secure their welfare. The question of de-commodification in fact refers to disconnecting the direct link between the market and welfare. It signifies the degree to which welfare can be gained or at least maintained, independent of the market mechanism (Esping-Andersen, 1989). It is thus a

discussion about the emancipation out of market dependence by the individual. When taking this perspective as a starting point, certain social security arrangements might not be actually de-commodifying since they do not offer the possibility to maintain an acceptable level of welfare to individuals. Arrangements that facilitated in the de-commodification of labour have always been of high importance to the trade unions since they ease the organizing of solidarity. Workers that are completely dependent are difficult to organize and de-commodification thus strengthens their position versus the employer (Esping-Andersen, 1989).

Social stratification

The second basic characteristic in Esping-Andersen his approach of welfare states is the contribution they make to a more egalitarian society. In other words, how these regimes affect the relationship between citizenship and social class is of high importance when one wants to distinguish between different welfare state types. For example, by stigmatizing and punishing recipients of poor relief, it has promoted social dualism. This was partly the goal of classical social security schemes that were promoted by conservative reformers such as Bismarck and Von Taaffe. This state-corporatist model was pursued mainly in countries like Austria, Germany and France where as a result insurance funds were highlighted by a great variety of status-specific arrangements. Opposed to the means-tested corporatist approach to social policies as described stands a more universalistic Beverist-type of model. It promotes status equality since all citizens are endowed with similar rights.

Building block 1: welfare state types and the loyalty-hypothesis

The question presents itself what these characteristics mean in reality. Esping-Andersen has identified three welfare state regime types, scoring them on the axes of de-commodification and stratification. In his argument, the characteristics of a welfare state have consequences for its future development. We will first go into his different regime types before elaborating more on his hypothesis.

The first regime-cluster is described by Esping-Andersen (1989) as the *liberal welfare state*. In this type, means-tested assistance and modest universalistic transfers pre-dominate social policies. These state policies are mainly aimed at a group of low-income workers. The model has generally been built upon classical liberal work-ethics norms, meaning that benefits will be low in order to minimize the demand for welfare over work. As a consequence, entitlement rules are strict and often associated with stigma. The market is encouraged by the state to participate in welfare provisions by designing and subsidizing private schemes. The de-commodification effects of this type of welfare state are low since a vast group of citizens is not offered a serious option to opt out when needed. The stratification effects also create a division between those groups reliable of the state, and those groups that can turn to the market for help.

The second cluster is described as the *corporatist welfare state*. According to Esping-Andersen (1989), the liberalist tradition with its focus on commodification and market efficiency was never as eminent in states with a corporatist legacy. Partly because of that, the granting of social rights to citizens has never been a point of discussion as such. However, the preservation of status differentials has been of great importance and played a significant role in the different welfare state arrangements. This means that rights have been primarily attached to class and status. In order to do so, the state has been ready to replace and take on tasks that could have been executed by the market as well. Thus, private insurance arrangements play a truly marginal role in this kind of systems. However as Esping-Andersen notices, because the focus is strong on upholding status differences, the redistributive effects are only small. Additionally, corporatist regimes are typically strongly influenced by the Church and therefore uphold traditional family values. It means that the family has a strong responsibility in taking care of its members, social security excludes non-working wives and family benefits encourage motherhood.

The third and final cluster distinguished by Esping-Andersen (1989) is named the *social-democratic welfare state*. These regime types are characterized by the fact that universalism and de-commodifying social rights were also extended to the new middle classes by the state. He argues that social democracy was clearly the dominant force behind the creation and implementation of these types. Countries that fall within this cluster have tried to prevent a dualism between state and market or working-class and middle class. They have promoted a level of social security of the highest standard, as opposed to the liberal social security of minimal needs. Thus, benefits were upgraded to meet even the highest standards of the new middle classes, while all workers were equal to enjoy the quality of rights of the elite. This model has the highest standards of de-commodification and stratification. That is not to say there is no differentiation, contribution and benefits can still be dependent upon income for example. However, it crowds out the market and creates solidarity; all benefit and all contribute.

Palier (2000: 9) has formulated the three logics of these regime types: centrality of the market in the allocation of resources and residuality of state intervention in liberal regime; centrality of equality, citizenship and “harmonisation” of the population in social-democratic welfare regime; centrality of work, status, occupational identity in conservative -corporatist social insurance systems.

It is argued that welfare states create loyalties (Esping-Andersen, 1989). Depending on the type of regime, these loyalties can be shared among a large middle class or be limited to just the working classes. Esping-Andersen hypothesises that the retrenchment of welfare states does not occur as a cause of high spending, as is assumed. He states that the opposite is the case; where spending is high on a large middle class, retrenchment is less likely to occur compared to those clusters where spending is low on a smaller working-class. This implies that different welfare state types will respond differently to serious shocks challenging their existence.

In the next section we will discuss the meaning of such a shock from a different theoretical perspective, leading to a different hypothesis concerning policy change.

Building block 2: The neo-functionalist hypothesis

The economic crisis has brought the future of the welfare state back in academic and political debates: what is the consequence of such a shock? There are different authors drawing connections between the economic crisis and the welfare state. The arguments belonging to this 'section' of the academic debate have a more pragmatic point of view and leave aside political institutional features. Their expectations draw upon connections between economic/fiscal conditions and programs that contain public spending.

One of the hypotheses argues that a connection might exist between fiscal pressure and welfare state retrenchment. As Klaus Busch (2010) argues, the cuts in services might put a high amount of pressure on European welfare states. The expenditure for social security programs for example will be rising more quickly through on the one hand rising unemployment, and on the other a drop in wage-tax revenues (Busch, 2010).

His arguments on welfare state change stand in a broader neo-functionalist debate. Schwartz (2001) argues that changes in welfare policies are primarily caused by socio-economic change and 'problem pressure'. He discusses the fact that the welfare state has been under attack in periods of economic pressure. In this argument, economic pressure leads to calls for deregulation and privatization, in order to increase diminishing competitiveness. One way of doing this is cutting in social protection and making more space for market mechanisms.

Vito Tanzi (2002) agrees with this view when considering effects of external pressures on the future of social protection. His general argument is that economic globalization will shape a major threat to the current welfare state. More specifically, it is said that a new globalized world will call for far greater efficiency. That means countries will have to cut public spending and reduce the use of tax expenditures to keep up a high level of social protection. All of this flows from the same need to increase the competitiveness of western industries.

Huber and Stephens (2001) and Castles (2001) also emphasize the importance of macro economic developments on changes in welfare state policies. The latter identifies unemployment and economic growth as the most important factors influencing public sector development. However, his work on public expenditure during the period 1980 - 1994 paints the picture of rather static policies, suggesting that many of these are not anymore responsive to changes in the political environment. He designs the hypothesis that this static picture could only be disturbed by massive changes in economic growth and unemployment creating a situation in which governments will fundamentally start changing their public expenditures.

The hypothesis that budget cuts will put pressure on the welfare state is also recognized by other literature (Vis e.a., 2011). Data up until 2010 shows however that this has not been the case. In general the response by European governments to the crisis has been the same; an expansion of social welfare programs, Keynesian demand-side management and labour market protection. They argue however that this approach is rather costly and will not be sustainable over the long run.

Yerkens and van der Veen (2011) have examined this case specifically for the Dutch situation. They have tried to examine to which extent the economic crisis has put pressure on the Dutch welfare state. They argue, by the hand of data collected on the topics of employability and healthcare, that the recent crisis has the potential to push the Dutch welfare state more in the direction of increasingly selectivity and emphasis on workfare. Their findings suggest a decrease in the universality of social rights.

In general, there is a strong section in the academic debate arguing that a causal relationship exists and is to be expected between the socio-economic situation of a country, and the size of its welfare state. This neo-functionalist hypothesis believes in the importance of a specific economic or fiscal problem pressure, forcing politicians and policy-makers to reform welfare provisions. In this sense fiscal stress, caused by low economic growth and high unemployment, will focus the attention on welfare state provisions as a target of budget cuts. The disability of raising taxes combined with the large size of social policies in the expenditure of most OECD countries makes it a necessary target.

However, this pragmatic argument can be criticized as lacking a regard of political and institutional influences. We will continue with the third hypothesis that has more focus on these factors.

Building block 3: the New Politics hypothesis

It is not per definition said that financial stress will lead to forms of welfare state retrenchment. The 'New Politics' hypothesis, captained primarily by Paul Pierson suggests the opposite (1996). Pierson argues that much of the work on welfare states, including that of Esping-Andersen, has had a one-sided focus on expansion. In his view, retrenchment is not simply a mirrored version of expansion and different theories are needed in order to accurately explain these dynamics. He argues that political struggle over expansion of spending and welfare is completely different from that over cuts in welfare. In his work, he attempts to describe and explain the resilient nature of welfare states that results from this contrast. He argues that welfare state arrangements are almost unmovable objects. He offers two explanations for this high level of resilience, which makes welfare states more susceptible for incremental adjustments rather than radical changes. First of all when it comes to retrenchment, the political *goals* of policy-makers are different. And second of all, the political *context* has changed. Both of these arguments deserve some more elaboration.

The first protection for welfare state policies is connected to the rather conservative character of democratic institutions. Pierson argues that this is caused by the fact that politicians are primarily rent-seeking actors that are concerned with re-election. Considering this perspective, cutting in welfare state expenditure can be highly dangerous. Many aspects of these social policies offer strongly institutionalized benefits for many voters. Citizens consider this situation as the status quo and it still enjoys a high level of popularity. Trying to change that situation is thus more problematic than taking an inactive position. The chances of being punished by recipients are greater than being rewarded by taxpayers who are financing the costs. The prospect of suffering electoral defeat is in his argument greater than the need to change policies (Pierson, 1996).

Second, the networks that are connected to matured welfare states can also shape a major barrier in radically reforming social policies. It has been said that the decline of organized labour is weakening the position of the welfare state. Labour unions have always been the traditional defenders of social policy and their declining numbers indicate a smaller position for them in the future. However, this does not have to pose a threat to the welfare state anymore. According to the 'New Politics' theory, specific interest groups have claimed parts of the modern welfare state and taken over tasks of the labour unions. They have organized themselves around subjects that are relevant to them - for example old-age pensions, healthcare or unemployment benefits - and are capable of resisting most attempts of reform. By doing so, Pierson moves beyond the corporatist model of interest group representation. Leaning partly on logic of collective action theories by Olsen (1965), he argues that the welfare state is vulnerable to these groups since gains are concentrated but most costs are spread. Many policy arrangements also tend to get locked-in. For example, when looking at pension systems we notice that most of them are designed on a pay-as-you-go basis. In other words, current working generations pay for the previous ones. These systems prove very difficult to change radically (Pierson, 1996). It has to be noted that Pierson does not specify characteristics of fundamental and incremental change.

Following from these two arguments, a change in *goals* and in *context*, Pierson argues that welfare state institutions get completely locked in and thus will prove very difficult to change radically. He states that of course incremental change is occurring, but the fundamental changes are nowhere to be seen. However, he does not deny that more fundamental changes are possible under specific circumstances. For further research, he identifies four possible situations that might lead to more institutional change than has been the case up until now. All of these follow from situations of *blame avoidance* on which we will return later.

The New Politics approach has a number of weaknesses. It first of all states that incremental change occurs, but radical change is unlikely, without specifying where the line of separation is between the two. Its second gap concerns the content of change, be it incremental or radical. It is not able to say anything about the meaning of change that does occur. Our last building block pays more attention to the power of ideas.

Building block 4: the ideational hypothesis

Hemerijck (2012) disagrees with the 'New Politics' theory and the work of Paul Pierson. He acknowledges that changes in welfare state regimes do not occur easily, but argues that a significant shift in welfare state policies is happening. He attempts to show how the more passive and transfer-oriented system is making place for a more active service-oriented welfare state. In fact, when taking these developments seriously into account, the New Politics approach can turn out to be too limited (Hemerijck, 2012). It only leaves room for a combination of regressive factors, blocking institutions and rent-seeking actors. Unfortunately, this is a rather limited approach to welfare state dynamics. For example, it denies the changes that have taken place in welfare state regimes since the half of the 90's or might classify them as insignificant. If we are willing to explain the changes that have taken place, and the role that the economic crisis has played, a perspective is needed that suits more with explaining changes rather than the absence of change.

Hemerijck argues that in doing so, this approach will need to look at the cognitive and normative reorientation by policy makers that takes place, besides the mere utilitarian vision of interest based strategies shaped by the status quo. An important question in this process is when and how dominant conceptions are challenged and subject to change. Sabatier (1988) discusses the effect of perceptions of external pressures as well as learning about the state of problems. A connected important theoretical aspect that needs to be addressed is the understanding of processes of selection of policy ideas. At the moment, it is unclear which role other groups are playing besides political and interest groups. There has been a specific lack of attention to influence by ideas-brokers like the OECD or the EU. Taking all of the above into account, it is argued that the study of changing welfare states should not be done in static models, but through the use of more dynamically open systems that are involved in processes of evolutionary social and economic reconfiguration (Hemerijck, 2012).

From welfare state theory to policy change

We have now collected the four major theoretical building blocks of this research. Combined, they hold the explanatory value concerning welfare state change that will help us to analyse and interpret the observations made later on in this research. We will be able to compare our empirical data with the four explanatory building blocks.

However, if we would move on to our methodology and observations at this moment, we would have trouble connecting policy change to the external shock of the crisis; the relationship would be spurious. To prevent that, we need to design a third component focusing on policy change and external perturbations. This last part should enable us to map the processes between the economic shock and eventual changing policy as output. Only after that, we have all the blocks needed to build a valid research.

A systemic variable: linking external shocks and policy change

It is thus important to construct a theoretical understanding of the linkage between external shocks and policy change. Our starting point for doing so is the Advocacy Coalition Framework as developed by Sabatier and Jenkins-Smith (1993). It is designed to analyse and explain dynamics of policy change.

External perturbations

We have chosen this theoretical approach because Sabatier and Jenkins-Smith (1993) argue that major policy change will not occur in the absence of perturbations that are external to the subsystem involved with a particular policy area. In their argument, there are eventually two different paths towards this. The first path couples the presence of external perturbations to policy change through the redistribution of resources, enabling minority coalitions to pursue their policy goals. Second, it is argued that external events cause coalition members to change their core policy beliefs. Sabatier and Jenkins-Smith (1993) recognise four different types of external perturbations that can occur: changes in socioeconomic conditions; changes in public opinion; changes in systemic governing coalition and impact from decisions in other subsystems.

Explaining a redistribution of resources is not that problematic. However, explaining the causality of changing core policy beliefs has proven to be quite difficult (Nohrstedt, 2005). The approach also seems to suffer from theoretical inconsistencies. Sabatier and Jenkins-Smith (1993) argue that actors filter new information through their core beliefs, dismissing conflicting information. However, at the same time new information and events alter their core beliefs. There seems to be a rather tense relationship between the two arguments. And when being put to the test in a case study, Nohrstedt (2005) concludes that the concept of policy learning as changing policy core beliefs does not seem to be as obvious as stated by Sabatier and Jenkins-Smith in their framework. Nice and Grosse (2001) also argue that the dynamics linking external events and policy change are complex. And when taking the work of Pierson (1996) into consideration, a one-sided focus on policy core beliefs without regard of political interest or power seems difficult in changing welfare state policies.

Therefore, it can be more useful to start off studying the behaviour of coalitions and actors in reaction to a crisis and its dynamics of the external perturbations, without trying to determine whether changing core values or political interests drive it. This way we stay close to the ACF, focusing on coalitions, without trying to explain the underlying sources of their behaviour. The ACF already identified the different external perturbations of influence. As a next step, we need to further deepen our knowledge about the changing dynamics between actors and coalitions in the wake of these externalities.

Changing coalitions and the frame-game

Boin, 't Hart and McConnell (2009) offer us this next step with their work on post-crisis reforms. They argue that disruptions of societal routines and expectations open up opportunities to actors inside and outside government to redefine issues. As they state it: "[crises] create political opportunity windows for

advocacy groups challenging established policies, newly incumbent office-holders and other potential change agents" (2009: 82).

In their approach, a division is made between two different sorts of advocacy coalitions in the aftermath of a crisis. On the one hand there are the status-quo oriented coalitions. They will have to assess to what extent they have the arguments to resist calls in favour of changing existing policies as a result of the crisis. The second group consists of the change-oriented coalitions. In the wake of a crisis, they will have to determine whether they will plead for fundamental changes, in the shape of the paradigm shift as discussed by Hall (1993), or focus on more incremental change. When putting these possibilities together, Boin, 't Hart and McConnell come to the following matrix with four possible outcomes (2009: 90):

Change advocates	Press for policy paradigm shift	Press for incremental reform
Status-quo players		
Resist policy change	I: policy stalemate <i>or</i> politically imposed paradigm shift	II: policy stalemate <i>or</i> politically imposed incremental adjustment
Contain policy Change	III: major and swift rhetorical/symbolic change; more incremental substantive change	IV: negotiated incremental adjustment

Framing is seen as one of the means to portray an aspect in such a way that it supports the claim of these coalitions (Nohrstedt, 2008). In the aftermath of a crisis, there are three different frames applicable ('t Hart, Boin and McConnell, 2009). We will analyse the arguments of advocacy coalitions using the following frame typologies:

1. *There is no crisis. There is no political blame and policy consequences are not necessary. The situation is business as usual.*
2. *The crisis is defined as a threat. The blame of the crisis is diffused. The policy status quo is defended.*
3. *The crisis is defined as an opportunity. The blame is focused on a specific coalition or group. There is a loud call for policy change.*

'T Hart, Boin and McConnell (2009) argue that the framing battle between advocacy coalitions will go through two different stages. When analysing the arguments of different groups, we will check for both of these. First, there is the '*ripple or crisis*' battle. This focuses on the question of *significance* concerning the crisis. Type 1 actors will try to minimize the significance; type 2 will acknowledge events and type 3 will try to maximize significance.

Once an event is established as significant, the second battle concerns the *causality* of events: are we dealing with an incident or a symptom? It is said that 'to explain is to blame' (Bovens, 't Hart, 1996). Causal arguments that focus on the role of policies and policy-makers attempt to 'endogenise' accountability. E.g.

put the problem within the span of their world and thus argue in favour of change. On the other hand, frames that point to the un-foreseeability or uncontrollability of events try to exogenise accountability and get policy-makers and politicians off the hook.

Blame avoidance

Finalising, these situations do not necessarily tackle the problems outlined in the New Politics theory of Pierson. When it comes to retrenching welfare state policies, governments still face the problem of electoral punishment and locked in policies. However, according to Pierson they can be overcome through blame avoidance: processes in which governments try to shift away the blame of welfare state retrenchment. We will quickly elaborate on the different possibilities in which this can occur.

First of all, Pierson argues that *electoral slack* might facilitate forms of welfare state retrenchment. With this concept he points to situations in which governments believe that they are strong enough to absorb the electoral consequences of their policy choices. Second, moments of *budgetary crisis* might open a window for fundamental policy change. Those in favour of retrenchment might try to frame the matter in such a way that cutbacks are the only way to actually save the welfare state. Third, Pierson argues that the success of retrenchment advocates will be determined by their capability of *decreasing the visibility* of reform. He states that the institutional characteristics of the political system play an important determinant in possibilities to do so. Finally, the prospect of changing institutions or changing the rules of the game can turn out to be significant. If advocates of retrenchment can shift the ways in which trade-offs between taxes, spending and deficits function, they may change the balance of power. These shifts are not common but the increasing role that the European Commission is playing in determining policies could offer an opportunity. If national governments can present welfare cutbacks as needed to sustain the single market or monetary union, they might be able to avoid blame (Pierson, 1994). Hood (2002) has extended this approach by developing three strategies governments can apply in order to avoid blame: justification, selection of policies and delegation to agencies.

Different orders of change

A last assignment is to categorise, as far as possible, the levels of policy change that we will observe. It will be important to get a grasp on the extent and fundamentality of adaptations that have taken place. Hall (1993) has attempted to differentiate between multiple policy responses: (1) a change in the basic settings of the instruments, (2) an alteration in the settings and the instruments and (3) a change of settings, instruments and goals as ultimate policy response. This three-stage model will be included in our analytical toolkit to identify possible changes.

The theoretical model

Thus, external perturbations can change the relation between different advocacy groups. Because of this, groups can gain or lose the possibility of pursuing their own policy priorities. These parties can be roughly categorised into those that

are in favour of change, and those that are in favour of maintaining the status quo.

Our challenge will be to analyse the extent to which the economic crisis lead to differences in external perturbations between countries, therefore influencing relations between actors, and in turn leading to different levels of policy change. This way, we can ensure that the observed policy change can causally be connected to the economic shock. Second, we will use our building blocks, to analyse the extent and direction of any observed welfare state changes. Concluding, we will be able to (1) analyse the response of welfare states to the economic shock and (2) the direction and meaning of this response.

Putting it all together: our research question

We have considered a broad theoretical framework, containing the four hypotheses and processes of policy change, in order to accurately assess the effect of the economic crisis on European welfare states. This framework has attempted to get some grip on questions regarding the causes, mechanisms and problems of welfare state change as well as external perturbations that play a role for policy change in general.

The consequences of this academic debate for this research paper are two-fold: first of all, the research paper will focus on policy changes under pressure of the economic crisis. However, these results will have to be analysed and discussed within a theoretical context of policy change. How did different type of welfare states respond to the economic crisis? Did in fact, according to Pierson, nothing really happen? Or are we witnessing fundamental reform in welfare state regimes? Did the pressure of the economic crisis indeed function as a catalyst to this process and to which extent do we witness influential policy ideas?

The different welfare state ideal types shape the starting point of the research as they have been identified and described by Esping-Andersen (1989). Since they are different in kind, they might respond differently. We will therefore have to test the hypothesis of welfare state loyalties as formulated by Esping-Andersen.

Pierson (1996) his starting point is the argument that theories, which describe welfare state expansion like that of Esping-Andersen, cannot be used to explain retrenchment since the two phenomena are compiled of fundamental different processes. However, their approaches do not necessarily have to be incompatible. They both argue that retrenchment does not follow from spending levels but from a general force of support. In their arguments, the more loyalty or support a system of social policies enjoys, the harder it will be to change it. For Esping-Andersen this is compiled of middle class loyalties, for Pierson it is about electoral retaliation.

Following from this, the expectation would be that politicians in a more collective welfare state, be it social democratic or corporatist, will be less willing to fundamentally change its content and benefit structures. On the contrary, the liberal regime type differs fundamentally from the more collective oriented

social democratic and corporatist types. It does not create the same class loyalties and its benefits are largely connected to a smaller group that finds itself at the bottom of the societal ladder. In that sense, it is expected that politicians will find it easier to cut in programs belonging to the latter regime type.

Reversed, taking different welfare states as starting point also helps us to test the other hypotheses. It might turn out that the neo-functionalist hypothesis holds more explanatory value, if we will hardly find any differences between different welfare states.

Research question and hypotheses

When taking all the above into consideration, we arrive at the following research question:

'How can we explain the way that different welfare state types responded to the economic crisis?'

However, the theoretical question that takes a central place is actually another one. When wanting to make a cross-national comparison between welfare state changes in different countries, we cannot skip by the influence of the different regime types to which policy arrangements in countries can be categorised. When taking them into consideration, the theoretical question is the following:

'What is the effect of a high problem pressure on dynamics of policy change?'

In order to arrive there, the following sub-questions need to be answered:

What was the effect of the economic crisis for both cases?

What welfare state changes occurred during the period 2008 - 2014 for both cases?

How did different welfare state types experience the formulated external perturbations?

Hypotheses

Following from the four building blocks, a number of hypotheses seem viable. These are not necessarily conflicting propositions, but more expectations derived from the theoretical sections focusing on welfare state change and external shocks. This is an unorthodox design of hypotheses, but better respects the theoretical diversity of this research. In the course of our empirical section, we will find out which theoretical expectations turn out to explain reality our findings best.

First of all, there is the difference between the welfare state regime types and their level of resistance to change. Following from this, we expect that welfare

states that create greater loyalty through a more collective and extensive program are harder to reform as opposed to liberal types. The second hypothesis is derived from the argument that economic and fiscal problems lead to the same policy response. Third, there is the New Politics hypothesis that predicts resilience and little change. Fourth is the hypothesis that a dominant policy idea will play an overall role of importance.

H1: We expect collective welfare states to be more resilient to change than individual welfare states.

H2: We expect welfare states that experience a similar economic shock to show a similar response.

H3: We expect welfare states that experience an economic shock to be resilient to change.

H4: We expect welfare states to change according to a dominant policy idea.

Methodology

Defining the variables

In the next part, we will try to operationalize our variables - economic crisis, welfare state change and policy change - in a reliable and valid manner. An overview of the variables, their definitions and chosen indicators can be found in appendix 1. In the following table, all variables are listed as well:

Variable	Country X	Country Y
Welfare state change (dependent):		
Economic Crisis (independent):		
Policy Change (systemic):		
Perturbations		
Advocacy coalition: Presence of status quo actors.		
Change in government: Welfare status quo enters government.		
Public Opinion: Supportive of welfare state status quo.		
Change in socioeconomic: use to frame changes.		
Impact other systems: Change-influence by subsystems.		
Blame avoidance		

Economic crisis

The independent variable in this research will be the economic crisis. In many of the debates - be it in newspapers, parliaments, or other fora - there seems to be a lack of a clear definition. Terms are most of the time used interchangeably, which can lead to great confusion and prevents us from reaching a needed level of precision. Therefore, when defining this variable it is important to begin by making a sharp distinction between a financial crisis, and an economic crisis.

When we talk about a financial crisis, we define it as *a sudden cessation of payments and other financial transactions*. Usually accompanied by a rise in

short-term loans because everybody is short of cash, and falling stocks in the stock market. Thus, a financial crisis is a phenomenon that focuses on flows of capital and in which big financial institutions normally play an important role. However, in this research it is not a financial crisis that is used as an independent variable. When talking about an economic crisis, we are referring to a different situation. There, we define it as *a sudden drop in GDP and industrial output*. This is a situation that is usually accompanied by rising unemployment. From the literature that has been discussed in the previous part, and especially the neo-functional hypothesis - we have learned that economic growth and unemployment are two factors that have turned out to be of most influence on social policies. Therefore, we have chosen to measure the level of economic crisis based on these two indicators.

The Gross Domestic Product indicates the economic growth levels of a country. Normally there is an expenditure and an income approach to GDP. In the expenditure approach, GDP is calculated by adding up all the expenditures on goods and services produced in the economy. The income approach adds up all the income received by labour and other inputs in the economy. In this research, GDP will not be calculated separately but derived from the statistical databases.

The level of unemployment will be the second indicator used to determine the level of economic crisis in a country. A standard definition of unemployed persons consists of three basic elements. It is those people who were during the period of reference: without work, thus not in paid employment or self-employment; currently available for work; and seeking work, e.g. had taken specific steps to seek paid employment or self-employment (OECD, Main Economic Indicators). In order to determine the level of employment for the countries in this research, we will use statistical databases. The unemployment levels will be expressed as a percentage of the total employable population of a country.

Welfare state change

The dependent variable is the welfare state. It's in itself an umbrella concept, which entails many programs, institutions and policy arrangements. Thus per definition, when talking about the welfare state, we are talking about a vast part of government policies and expenditure without being precise. A broad definition would cover the basic functions of welfare state provisions. Schwarz for example defines it as *"social protection in the sense of sheltering income streams from market pressures"* (Schwarz, 2001 in Green-Pedersen, 2004: p-6). However, this definition does not point out any particular indicators that could be considered reliable and valid. There is a broader academic debate concerning the so-called 'dependent variable problem' in welfare state research. Especially the earlier work of scholars that focused on forms of retrenchment used levels of expenditure as measurement.

Unfortunately, there are many arguments opposed to measuring social expenditure levels. First of all, there is the argument that levels of expenditure can rise or fall, without actual changes in the policy arrangements itself. For

example, in periods of high unemployment it is expected that social expenditure will rise. But does this equal with welfare state expansion? That seems a highly unlikely argument. When thinking about welfare state change, we are looking for fundamental changes in the policy arrangements. A second argument why merely measuring government expenditure has problems of validity has to do with the fact that some changes might have an effect on expenditure at a later point in time. Thus when measuring only expenditure, it is possible to miss important reforms.

Summarising, the total level of social expenditure seems to be less suitable as a mean to measure welfare state change. In this research, we will focus on two other aspects of social policy programs that seem more important in measuring their level of change. These have to do with the two most influential aspects of policies: *who* is entitled to participate and *what* do they receive?

Entitlement rules is the first indicator that we will use to determine changes in social programs. They determine who is allowed to enter programs and under which conditions they are eligible. For example, in old-age pensions there is a specific age after which citizens are eligible to receive benefits. When this age moves up there is a change in the entitlement rules of a program. So they are considered the legally determined demands an individual has to comply with in order to be eligible for receiving benefits.

Level of benefits is the second indicator that will be used to measure any changes in welfare state programs. It does not look at the total level of expenditure as we discussed before, but focuses on individual benefits that a program provides. To come back again at the old-age pensions; a change in the monthly amount of cash that a program provides will be a change in the amount of benefits. So it will be considered as the legally determined amount of money an individual is entitled to through a specific program.

Together these two measures help us to determine the level of possible changes in social policies. They indicate the generosity of programs as well as their level of solidarity. Changes in either of the levels might lead to a certain level of expansion, retrenchment or complete different policy goals.

Another challenge in the research is to get a grasp of the concept of the welfare state itself. In order to maintain a high level of reliability, the research will zoom in on two particular components that are characteristic for contemporary social policy. In doing so, we will increase our level of precision on the two important indicators as identified before. Unfortunately this is a trade-off with our level of generalization since it will decrease our opportunities of talking about the welfare state as whole. However, if remarkable trends occur in these two programs, it might indicate broader changes are happening and offer an opportunity for future research.

Old age pensions are the first program that will be analysed in terms of changes in its entitlement rules and cash benefits. According to Myles and Pierson (2001), pensions are very difficult to reform because in general they get locked-in and

are highly path-dependent. This is for example caused by the fact that most systems function on a pay-as-you-go basis, meaning that current contributions are used to finance current payments. As Green-Pedersen and Haverland (2002) argue, it is difficult to reform or retrench well-established and generous programs. People often consider these rights to be well earned and schemes are in general quite popular. Considering the New Politics hypothesis, especially old-age pensions are an interesting area to analyse for possible changes.

Unemployment benefits are the second welfare state program that is chosen to analyse in terms of its entitlement rules and cash benefits. Unemployment provisions in general provide workers who have lost their job with a temporary financial compensation in order to bridge the period of finding a new job. However, how their characteristics as workers entitle them to specific kind of welfare provisions and what the involved cash benefits exactly are can differ between countries. According to the scholars that argue in favour of a link between fiscal pressure and retrenchment, unemployment benefits are one of the expected targets. With economic growth slowing down and unemployment rising, the costs of these schemes are in fact rising with double speed. Not only are government incomes getting smaller, making social expenditure relatively larger. Rising unemployment means more benefit entitlements, thus making costs increase in absolute terms as well.

Policy change

Different orders of change

The first step in analysing possible policy change will be to see whether the different 'orders of response' as Hall identified them apply. Thus when we are looking at possible changes that occurred in social policies, it will be necessary to assess to which extent these were actually fundamental changes following his three-stage model. In the first one, a change is happening in the basic levels or settings of the policy but the overall goals and instruments remain the same. We will label this as a (1) *setting change*. The second order of response is applicable when not only the basic levels and settings change, but also the instruments get adapted. We will label this as an (2) *instrumental change*. The third and most fundamental level of change is occurring when not only the settings and instruments change, but also the overall goals of a policy shift. In situations where this happens, an actual paradigm shift can be visible. This third and last order of policy response will be labelled as a (3) *goal change*.

Advocacy Coalitions

The next step in tracing the process of policy change will be to identify the relevant coalitions in the battle of reforming welfare state policies. Following the matrix designed by Boin, 't Hart and McConnell (2009), we will try to distinguish between change oriented coalitions and status quo oriented coalitions following the economic crisis. According to Sabatier (1998), these advocacy coalitions consist of various actors from governmental and private sectors. However, it is important to note that we consider a 'coalition' as a group of actors with the

same policy preferences, without any necessary form of cooperation. This point deserves more explanation.

Ideally, one would want to analyse different coalitions; to which extent they cooperate and what their shared targets are. However, partly because of feasibility, this will be difficult to achieve in this research. Therefore, we will have to limit ourselves to an actor analysis, scoring them as change-oriented or status quo oriented within the relevant venue. This way, we will be able to analyse the relative presence of change or status quo pressure. We will observe these actors as being those organisations that apply the use of resources in order to pursue reform or preservation of our chosen welfare state indicators, unemployment benefits and old age pensions. These resources can consist of the use of power through legislative competences, authority through interfering in discussions on the basis of a certain status, money through the organization of manifestations and other campaigns and knowledge through involvement in policy design discussions in order to alter the course of the debate.

External Perturbations

The next step is to identify the influence of different external perturbations, and consider to which extent they are connected to the economic crisis. As said before, there are four different external perturbations distinguished by Sabatier and Jenkins-Smith (1993). The theory supposes that the distribution of resources is generally stable, and thus if pro-change groups will want to achieve their goals, they will have to engage in the analytical debate, or *convince* their opponents (Sabatier & Jenkins-Smith, 1993). There are four different mechanisms that link the formulated exogenous factors to policy change (Smith, 2000).

The first and most complex one is a ***change in the socioeconomic environment***. These include economic dislocations or the rise of social movements. In our case studies, we will mainly be looking at the effect of the economic crisis that can be, as we will argue for the cases, considered as a serious shift in socioeconomic conditions. The question at hand is to which extent a coalition was able to use this change in socioeconomic conditions, or economic crisis, in their favour.

The theoretical framework describes how frames get constructed. In our case studies, we will assess the level of framing used by governing actors in the political arena concerning the economic crisis. A differentiation is made between three types of frames, following the axes of *significance* and *causality*. In our discourse analysis, we will use this categorisation to identify type of frames used by governments.

Type of frame	Significance	Causality
1. No crisis	<i>Minimize</i>	<i>Denial</i>
2. Crisis as threat	<i>Acknowledge</i>	<i>Exogenous</i>
3. Crisis as opportunity	<i>Maximize</i>	<i>Endogenous</i>

The second exogenous factor is ***a change in public opinion***. In particular, the general opinion towards government spending priorities and the seriousness of the problems at hand (Sabatier, 1998). Public opinion is considered to be the dominant opinion by a majority of the citizens of a country as measured through a representative poll. In the case studies, we will observe the public opinion towards spending on social programs in general, and if possible the indicators applied in this research in particular through polling data already available.

The third factor that can be a perturbation is a ***change in the systemic governing coalition***. We consider this as a moment in time in which fundamental changes occur in the composition of the coalition a government. Especially 'critical' or 'realigning elections' have the potential of playing an important role (Sabatier, 1998). We consider it a fundamental change when a former change-oriented actor enters into the systemic governing coalition. This will be relatively easy to observe in our case studies through the analysis of possible elections or other moments of changing government composition.

An alternative mechanism occurs when all actors recognise the necessity of change and manage to forge an agreement. This can be seen as a 'grand coalition' in which all actors agree that a change is needed and reach consensus in order to battle the perceived crisis (Sabatier, 1998). We will observe this when more parties than needed to have a majority coalition, join in an agreement of government.

The last factor is compiled by ***policy decisions and impacts from other subsystems***. Decisions or changing rules can have an (unintended) impact on policies in different subsystems. For example, through changes in taxation laws other laws can get affected as well. We consider impacts and decisions from other policy subsystems when an external policy sovereign intervenes in the processes of the system, enforcing change. We will observe this by considering whether an agreement with an external policy sovereign is present in which certain levels of compliance are agreed upon. If this is the case, we will analyse whether these have a connection to the reform of the social policies at hand. In our cases, we will focus on **international policy settings** as the main external policy influence.

Blame avoidance

Hood (2002) has developed a framework to analyse strategies of blame avoidance by governments. The first type of blame avoidance is connected to the ***presentation***. We will observe this strategy, when governments find excuses for the necessity of their actions and try to justify the choices they make by pointing to other factors. They will shift the responsibility away from their own policy choices and preferences.

The second strategy is concerned with the ***policies*** that are selected, in which governments can make choices to spare specific policies when the public pressure gets too high, while still retrenching others. We will observe this when governments decide to change the scope of policies while the process of reform or retrenchment has already started.

The last strategy is concerned with the *agencies* that are involved in executing and implementing the retrenchment policies. Governments can attempt to delegate certain responsibilities and in this way move the blame away from them. We will observe this when governments delegate the implementation and execution of retrenching policies to agencies so that they are no longer responsible.

Venues

Another question that needs to be addressed is the level of measurement when looking for the activity of advocacy coalitions. Baumgartner and Jones (1993) introduced the theory of *venue shopping*, arguing that advocacy coalitions choose a specific setting of decision-making that supports their position. It is in this setting that they are enabled to critique those policies that they disagree with and present credible alternatives in order to influence the process (Pralle, 2003). When considering the reform of welfare state policies, it can be reasonably argued that the national political arena plays a very important role in most European countries. Policies are designed and decided upon on this level. It is for this reason that we will be focusing on the activities of advocacy coalitions in and surrounding the national political arena.

Choosing for case studies

The qualitative research approach: a comparative case study

After studying the research topic, appropriate theoretical foundations and defined variables it is important to design a research method that enables us to bring all these factors together. When studying dynamics of policy change, it is difficult to design a reliable quantitative design since processes tend to be highly complex. In the specific situation of this research, changes can occur on the entitlement side as well on the benefit side, making it very difficult to find values that are suitable for quantitative analysis.

Therefore, a qualitative design will be more suitable to assess the discussed research questions while respecting and acknowledging the complexity of the dynamics of policy change. The design should enable us to study the dynamics that exist between the economic crisis and different type of welfare state regimes. A comparative case study could provide a solution to this challenge. It will allow us to compare multiple cases that have their own dynamics in terms of the variables of economic crisis as well as welfare state characteristics.

For reasons of feasibility of the research process, we will unfortunately only have the ability to make a comparison between two different cases. In an ideal situation, we would like to make a selection of four cases that differ in levels of crisis as well as welfare state type. That way, it would have been possible to check for different independent variables while controlling for the fundamental characteristics of welfare state arrangements. However, this approach would have been accompanied by a significant workload, possibly damaging the accuracy and precision of the research.

This confronts us with a fundamental choice in selecting our cases. Taking the specific dynamics of different welfare states into account, and only being able to compare between two cases, we are left with the following options:

- I. Countries with similar welfare state regimes and a similar shock.
- II. Countries with similar welfare state regimes and a different shock.
- III. Countries with different welfare state regimes and a different shock.
- IV. Countries with different welfare state regimes and a similar shock.

In the first option, we would expect a convergence of policy responses since the political-institutional context as well as the problem at hand is similar. Therefore, considered from an academic point of view, this is the least interesting option. It would neither allow us to analyse the influence of different welfare state regimes nor that of different economic shocks.

The second option would be interesting to study the influence of an economic shock on one specific welfare state regime. In such a case study design, we would expect a divergence of responses between the two cases since similar contexts have to respond to different problems. However, it prevents us from generalising our findings into a broader welfare state debate since we are limited to studying

the responses of one specific welfare state type, ignoring the expected dynamics of different institutional features.

The third option is interesting because of its possibility to study different political-institutional dynamics. However, it does not enable us to analyse the effect of an economic shock on welfare states in general. In this scenario, we would expect a divergence of responses, with the country experiencing the shock reacting to it, while the country not experiencing it will show little change. The objection to this choice of cases comes from the inability to separate the influence of the economic shock from the influence of the political-institutional context. If indeed a divergence occurs, to which extent is it influenced by the economic crisis and to which extent by the context in which it operates?

In this research we have chosen for the fourth and final option, selecting different regime types that both experienced a severe economic shock. Choosing always means certain aspects are given priority, while others are left aside. Therefore it is valuable to argue why we have made this exact choice. It stems first of all from the centrality of different welfare state regime types in this research. From the theories set out by Esping-Andersen, we have to anticipate the fact that political-institutional features of welfare states can be of influence on their resilience, or willingness, to change. In the theoretical build-up of this research it has taken a central place, and lacking to control for this aspect in this research would seriously harm the generalizability. Either in the case of divergence or convergence, it can offer us new theoretical insights.

Second of all, the consequence of the choice to give this theoretical aspect priority is the fact that both countries must then have experienced a severe economic shock. That way, we will be enabled to study the dynamics and consequences within different contexts caused by an economic pressure, and hopefully be able to draw conclusions about the differences that occur between them. Choosing for different external shocks would have disabled us to check for dynamics of welfare state contexts. Indeed again, would the change then be caused by the context or the shock?

As said, choosing also means leaving other things aside. As argued before, ideally one would have made a comparison between four cases as to also control for differences in economic shocks. In order to enforce the argument in favour of causality between an economic shock and policy change, we have designed the systemic variable. This at least ensures the validity of our results. However, the approach prevents us from making a comparison with current dynamics in the absence of an economic shock. An element that most likely would have offered new insights if it was included. This is an unfortunate shortcoming of this research, costing us a certain analytical depth, but unavoidable with the means at our disposal.

Assessing reliability and validity

Validity questions whether a "measure accurately represents the concept that it is supposed to measure, whereas an invalid measure measures something other than what was originally intended." (Kellstedt & Whitten, 2013, p-101).

In political science research, there are multiple hurdles a design has to overcome in order to reach a desired level of validity (Kellstedt & Whitten, 2013). The first question is whether we can believably claim that there could be causality between our variables. The second question that needs to be addressed is whether or not there could be a so-called reversed-causality. Meaning that the possible causality between the variables actually runs the other way. The third challenge is to believably prove that the two variables indeed co-vary. And finally, the last challenge is the effect of another variable actually disturbing or causing causality, which is not measured or observed in the research. When this happens, we run the risk of overstating our causality making the results spurious.

The possible causality by an economic crisis and welfare state change seems plausible following the literature and research that has been discussed in the first part of this research. The argument that severe fiscal stress will lead to cuts in social spending programs appears quite tentative. In that sense, the first challenge is covered. The second challenge, that of the reversed-causality seems to be overcome as well. Even though especially heterodox economists argue that increasing inequality and growing lower classes caused the economic crisis, this research is not threatened by this challenge since possible policy changes will be observed chronologically after the crisis hit these countries. The third challenge proves to be more difficult in this research. Especially the limitation in case studies makes us vulnerable for validity errors on this section. However, the fact that we take two countries that experienced the crisis enforces our argument when in both cases changes are visible. If this is indeed the case, it will be a strong indication of co-variation. By using our extensive systemic variable, we can assess whether the independent and dependent variable indeed connect. The fourth risk of a missed variable is only small. According to the work of Pierson, welfare states are highly resilient. Thus, when change does occur it is highly likely that this is caused by the crisis. What is more, the qualitative approach will enable us to find the arguments and reasons for potential reform.

Reliability

The variables and indicators used in this research consist partly of macro economic and statistical indicators. This means that this data will be highly reliable. Any attempt to repeat the data collection will most likely result in the same outcome. The only precondition is the fact that datasets do not get corrected or withdrawn. The vulnerability of the research will be the fact that it will trust on existing databases like the OECD, the IMF Macroeconomic Outlook and Eurostat. Second, for the policy change analysis, we will have to comprehend a rather large stack of data consisting of many different sources. This eclectically looking approach poses threats to the repeatability. However, by sticking to a clearly formulated theoretical framework with defined variables, we trust that a repetition of the research, even be it through another route, will find the same answers.

Case selection

The final step in the construction of our methodological design is the selection of four cases that experienced different levels of economic crisis and correspond according to the different welfare state regime types. When consulting databases as the World Bank Databank and Eurostat, one must first conclude that all countries experienced to some extent economic turmoil during the period 2008 - 2013. However, there are large differences in the way that countries were affected by the crisis.

Ireland is categorized by Arts and Gelissen (2002) as one of the liberal welfare states according to the typology developed by Esping-Andersen. In the region of North-West Europe, it was possibly the country that experienced the crisis the most severe. When we look at the statistics focussing on the growth in Gross Domestic Product as well as total unemployment as a % of the labour force, this picture gets confirmed. Over the period 2003 - 2007, the unemployment rate and the GDP annual growth rate show to be quite steady around 5%. However, over the period 2008 - 2012 we notice a massive increase in unemployment as well as a dramatic drop in GDP growth. The difference in GDP averages between the two periods is -6,18 per cent and the unemployment level rose with 7,78 per cent. Ireland experienced the economic crisis massively.

Ireland - average over:	2003 - 2007	2008 - 2012
Annual GDP growth %	4,99	-1,19
Total unemployment %	4,46	12,24

Source: World Bank Databank.

The Netherlands have a slightly more ambiguous welfare state type. Arts and Gelissen (2002) consider it to float in between the social democratic and the corporatist model in the typology as developed by Esping-Andersen. This discussion is not problematic for our research since the core question is whether we are dealing with a generous and collectively organised welfare state. Since both the corporatist and the social democratic typologies are collectively organised, the Dutch welfare state shapes a suitable typology to be assessed. As a relatively open economy dependent to high extent on import and export, the Dutch economy experienced the Economic crisis in a different way than the Irish did. When we consider the economic indicators established, the Dutch situation seems less explosive than the Irish one, but just as perseverant. The GDP growth rate took some serious punches. We notice that the unemployment rate seems controllable, however it seems that the Netherlands responded later to the crisis with the unemployment rate hitting over 8% in 2013 (CBS.nl).

Netherlands - Average:	2003 - 2008	2009 - 2013
Annual GDP growth %	2,27	-0,66
Total unemployment %	5,35	6,06

Source: World Bank Databank

Selecting sources: assuring reliability and validity

In assessing our case studies, we will have to make use of a different number of sources in order to accurately analyse the complex dynamics. This is partly caused by the fact that different parts of the cases ask for different empirical material. However, this does not mean that we will not be able to systematically and consequently apply the same methods for the same subjects.

Measuring the economic crisis

First of all we will have to assess the level of crisis, as it was present in both cases. In order to do so, we will rely primarily on macroeconomic data made available by Eurostat, the European Commission's statistical bureau. From this database, we will derive GDP growth rates and unemployment rates. In order to place these developments in a political-economic context, we will make use of extensive secondary literature to paint a concise picture. The information from Eurostat can be regarded as highly reliable. It is built upon a collection of macroeconomic data from multiple European statistical offices, and has been harmonised into a single data set. Secondary literature will be derived from academic journals of the highest standard focusing on economy and political economy. Lastly, reports from national bureaus on statistical and macroeconomic data will be used. All of these sources have a high level of reliability. For both cases, the exact same structure will be used following the same topics on which information is selected. The macroeconomic data is selected following our defined indicators, the political-economic data is selected following an extensive literature review of the mentioned journals and reports.

Measuring the Welfare State

Second, we will go into changes that have taken place within welfare state arrangements during the period of 2008 - 2014. In order to catch these possible adaptations, we will use primary governmental sources such as government bills, annual budgets and policy documents. For both cases, we are dependent of data made available by both separate governments. It thus denies us the possibility of one single source. However, it rules out any form of external interpretation and allows us to observe the sec policy changes as they occur, making a detailed description possible. Second, to concisely sketch the context in which these welfare state changes take place, we will again make use of a large amount of secondary literature coming from academic journals and the social expenditure index by the OECD. Changes in our welfare state indicators are thus derived directly from primary governmental sources; therefore they enjoy a high reliability and validity since we observe the direct effect that is taking place. Different information is selected on the basis of (1) the description of our chosen welfare state indicators for governmental sources and (2) the known academic quality as well as expertise for academic secondary sources. Together, these sources enable us to observe change in our welfare state indicators, as well as the context in which they take place.

Measuring Policy Change

In the third part, a multitude of sources will be addressed in order to accurately analyse the different sections belonging to the systemic variable. Again, this does not prevent of from sticking to a systematic and consequent approach. Considering our actor analysis of possible advocacy coalitions, we will lean mainly on secondary literature as to come to a summarised but accurate description of the political arena and its participants. This secondary literature will be mainly selected through academic journals focusing on parliamentary developments such as *Irish Political Studies* and *Acta Politica*. This will assist us in making a valid description of actors through reliable sources. For both countries, relations between political actors and social partners will be assessed through the analysis of social pacts. These pacts are normally officially published through governmental and union websites. By using primary published documents, we want to protect reliability. Besides that, these pacts will give a right overview of topics of discussion between government and social partners, enabling us to rightly analyse the relations between these actors, therefore increasing validity.

The implications of changing government coalitions will be observed through an analysis of coalition agreements and programmes for government. For both countries, these are published on governmental websites and we will only select the primary documents as to ensure its reliability. In terms of validity, these will give a consequently summarised and abstracted overview of policy preferences and priorities for each government to be studied. To map developments in public opinion, we will make a media analysis by using the database LexisNexis. In this process of media tracking, we will collect as many opinion-polling results as possible. We will select this information through the use of quality newspapers as to ensure the reliability, and search opinion-polling results over the entire period of 2008 - 2014 on the topics of budget cuts and the welfare state.

Our analysis of international policy systems and their influence is based upon primary policy documents with policy recommendations and/or policy conditionality. We will use primary documents that are published on official websites of involved institutions as to ensure the quality and authenticity. These are put in context through the use of media tracking, by analysing responses to these developments by governments. How politicians frame the change in socio-economic conditions is assessed through a discourse analysis of speeches given upon the presentation of the annual budget for both countries, over the period 2008-2013. These will enable us to have a thorough overview of the way both governments present the problem, and its solutions. Finally, possible strategies of blame avoidance will be observed through the total of observations made at this point.

Summarising

Summarising, not all data are collected from the same sources. A cross-national comparison inevitably leads to higher level of data fragmentation. However, for all subjects where this is the case, we systematically try to use the same type of sources in analysing the different variables. This way, there is a consequent approach in the methodology of this paper.

Relevance

Societal relevance

Welfare states have been considered as policy arrangements that influence and affect our lives in a highly direct manner. They have the capability of facilitating people in making relatively free choices about the way that they want to live their lives and the directions that they wish to take. The welfare state has been the corner stone of the post-war European societies. Therefore, as a concept, it can be considered as of high societal relevance. The study of the welfare state - the changes it is under, the pressure it experiences and the way towards a sustainable future - is thus of high societal relevance.

Theoretical relevance

In the welfare state literature, a debate has been going on ever since the publication of Paul Pierson his New Politics approach (1996). The debate focuses mainly on the question whether welfare states are resilient, or retrenchable. And to what extent an external problem pressure can force politicians and policy makers to start reforming welfare state policies. The case studies in this research put that question to the test: to which extent did an external problem pressure lead to changes in social policy arrangements. Hopefully, by examining the effect of the economic crisis in our selected case studies, we will be able to make a meaningful contribution to the theoretical debate concerning the nature and characteristics of welfare state change under high socioeconomic pressure.

Assessing Ireland

In the next section, we will assess the case of Ireland regarding the questions formulated in this research. In the first section we will set out to make an analysis of the economic crisis experienced by the country, the second part will be devoted to considering the level of welfare state change that occurred. The third and final section will focus its attention on analysing the extent to which possible change was in fact caused by the crisis.

Economic Crisis

Ireland: from high rise to deep fall

The political economic context

The Irish political economy is characterised by a number of features of which two seem to be most apparent. First of all, the Irish situation can be clearly placed within the Anglo-Saxon model of capitalism with industrial policies that depend to a high extent on foreign direct investment in combination with tax incentives that intend to stimulate inward flow of capital (Barry, 1999). However, being a highly open economy, Ireland also experienced more incentives to manage its economic fortunes than the liberal market model might suggest (Dellepiane & Hardiman, 2011). This can partly be attributed to the influence of smaller European states that implemented an export-oriented industrial development policy, in combination with a corporatist structure in which growth-sharing is arranged through bargaining rather than conflict. Between 1987 and 2009, many social agreements were negotiated (Barry, 2009).

Economic development

Especially during the years 1994 - 2000, Ireland experienced a period of enormous economic growth. It was because of this economic miracle that the country earned the nickname 'the Celtic Tiger', referring to the Asian Tiger countries and their rapid economic development. The period was characterised by rapid output, employment and productivity growth. By many, it is considered to have been a period of convergence, in which Ireland was catching up with the rest of the European countries after a long period of low performance (Honohan & Walsh, 2002). This period of underperformance came to an end through a fiscal adjustment in 1987. In this new approach, it was decided to work on the basis of a strong pro-business platform (Lane, 2000). The fact that the big start of economic development only really got off in 1994 was partly caused by the '92-'93 recession.

This made Ireland an interesting investment country for multinational firms, especially those based in the United States. A boom of inward flowing foreign direct investment was the result. It is this FDI flow that was the engine behind the productivity growth (Lane, 2011). This was furthermore fuelled by tax incentives to stimulate inward flow of capital and the fact that Ireland proved a strong base for entering the European Single Market, which was completed in

1992. A consequence was the disproportionately large share of foreign companies in the Irish economy (Dellepiane & Hardiman, 2011).

All of this started to change from the 2001 international recession onwards. The economic growth continued from 2003, whereas most economists expected it to slow down after the 'catch up' years. A fundamental difference was the fact that it was no longer driven by FDI and productivity growth but by a boom of investment in property leading to a rise in construction activity (Lane, 2011). This in its turn created a large property bubble accompanied by a growing construction sector (Fraser e.a., 2013).

From 2008 on, many smaller Irish banks found it increasingly difficult to find funding on the international financial wholesale markets. Since this constituted a large part of their financing strategy following from the increase of credit during 2003 - 2007, the problems were about to start. On the other hand, domestic investor demand started to drop because of stress caused by the international developments. This whole situation accumulated into the drying up of funding for Irish banks (Lane, 2011). Soon after, construction companies started to go bankrupt under the weight of debt they built up with the national and international financial sector. Because employment in the construction sector had increased quickly during the 2003 - 2007, these bankruptcies had great consequences for the unemployment rate. From here on, the Irish economy started to fall down like a domino game (Fraser e.a., 2013).

Fiscal crisis

The Irish banking crisis and the crash of the housing market was the cause for the complete Irish economy to capsize. It soon turned into a fiscal crisis when the Irish government started to find itself in financial trouble. One of the causes for this was the much-disputed government decision to give an unlimited guarantee to all bank liabilities from late 2008 onward (Münchau, 2010). When losses on these liabilities turned out to be even greater than expected, it pushed the Irish government into high costs mounting up to 32% of GDP by 2010 (Münchau, 2010; Lane, 2011).

Because the Irish fiscal policies had a strong pro-cyclical nature in order to push forward economic development, there was no substantial financial buffer to take the initial punches (Dellepiane & Hardiman, 2011). Consequently, in November 2010, the Irish government had to request financial assistance with the European Union and International Monetary Fund. The total financial package was valued on 85 billion Euro, about 54% of Ireland its 2010 GDP. These loans were provided under conditionality, the content of which we will come back to later on (Lane, 2011).

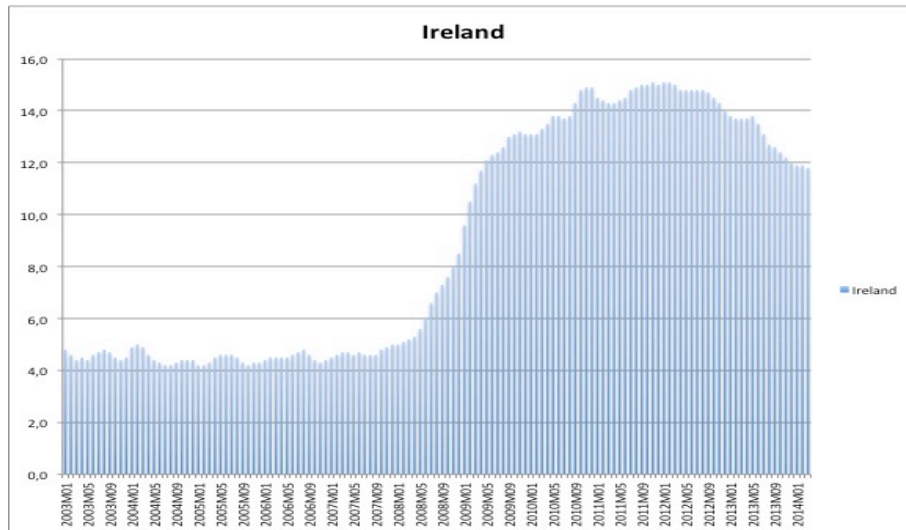
Unemployment

The extent to which the Irish economic crisis has affected the unemployment rate has been rather severe. The European statistical data office Eurostat shows the data in the following table concerning the Irish unemployment rate as percentage of the total workforce from 2003 onward. Rates are displayed for M1

of each year. The graph gives an overview of the developments measured on a monthly basis (Eurostat).

Year	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14
Unemp.	4.8	4.9	4.2	4.4	4.5	5.0	9.6	13.1	14.5	15.1	13.8	11.9

Irish unemployment rate % of total workforce measured M1 of each year. Source: Eurostat.



Development Irish unemployment rate on a monthly basis. Source: Eurostat.

Gross Domestic Product Growth

The second indicator used to measure the level of economic crisis concerns the annual gross domestic product (GDP) growth rate. We have data available covering the years 2003 - 2013 as collected by the European statistical data office Eurostat. The percentages represent the annual growth rate of GDP based on the previous year (Eurostat). As we can see, the situation from '08 onward was rather severe.

Year	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13
GDP	3.7	4.2	6.1	5.5	5.0	-2.2	-6.4	-1.1	2.2	0.2	-0.3

Annual GDP growth rate Ireland. Source: Eurostat.



Annual GDP growth rate Ireland. Source: Eurostat.

Concluding

The international economic crisis combined with an already unstable domestic economic situation made that Ireland was hit by an extraordinary strong economic crisis following 2008 onward. This situation was characterised by a fast rising unemployment combined with a strong negative economic growth percentage. In the next section, we will assess whether the policy responses during this period have been of influence on existing welfare state arrangements.

Welfare State Change

The Irish Welfare State in Context

The following section will assess the level of change that occurred in welfare state arrangements. As outlined in previous parts of the paper, these will be measured through the use of two main indicators. They are comprised of policies related to old-age pensions and policies concerned with unemployment benefits. However, before getting into a detailed description of developments in these two areas, we will examine the context of the Irish welfare state. We have seen before that the Irish welfare state is generally considered to be of a liberal typology when analysed according the framework developed by Esping-Andersen (Arts & Gelissen, 2002). This means that the state has defined a minimal role for itself, and citizens are generally expected to arrange their provisions as much as possible on an individual basis.

As seen in our assessment of Irelands economic downturn, the first years of the new century were highlighted by strong economic development. The National Economic Social Council shows how Irish gross national income per capita reached the EU15 average in 2002, and afterwards kept on rising until it exceeded it with 14% in 2007. However, after Irelands economic fortunes had changed, the score in 2010 saw the country back at its 1998 level: 8% below the EU15 average (NESC, 2011).

The consequences are reflected in the level of social expenditure as it unfolded over the course of the crisis. The OECD Social Expenditure Index (2014) indicates that in 2005 the Irish government spent 16% of its GDP on social affairs. This climbed up to almost 24% by 2010. After that, we witness a slow decline of expenditure. The following graph shows the development of Irish social expenditure (OECD, 2014).



Source: OECD.

Old age pensions

The Irish Context

Irish public expenditure on pension was estimated to be valued 7,5% of GDP in 2010, running up to 11,7% in 2060, making at an increase of 4,2% of GDP. With that, Ireland belongs to countries with a relatively low level of expenditure on public pensions. For example, the EU27 level runs from 11.3% of GDP in 2010 to 12,9% of GDP in 2060. Even though the predicted increase in costs for Ireland are higher than the EU27 average, the country is still expected to have a relatively cheap system (European Commission, 2012).

The Irish pension system is comprised of two main elements, of which one will have the specific focus of this research. On the one hand, there are the pensions that are part of the Social Welfare system. On the other hand are the arrangements that are comprised of voluntary supplementary pensions. The latter are regulated by the state, but function besides that on the basis of individual arrangements. Since the state is responsible for the first category pensions, it is on them that this research will focus its attention. These State Pensions are part of the Social Welfare program, funded and regulated by the government and thus can be considered as part of the welfare state (Green paper, 2007).

Reforms

The debate on pension reform was already taking place in Ireland before the economic crisis broke loose. This gives us an excellent opportunity to consider to which extent the crisis had any effects on the course of the debate. In 2007, on the eve of the economic crisis, the Irish minister of Finance of the republican party (Fianna Fail) published a Green Paper on Pensions in order to discuss possible reforms and modernisation of the Irish Pension system (Green Paper, 2007).

Eligibility Criteria (Eligibility age)

In the case of old-age pensions, we regard the age from which a person is eligible to receive an old-age cash benefit as the most important criterion. Thus, the question presents itself whether - and if so, which - changes occurred or are scheduled to take place in the so called 'eligibility age'.

In 2007, the Irish government proposed a number of different mechanisms in the Green Paper according to which the pension age for State Pensions could be raised in order to safeguard the sustainability of the pension system. They are displayed here. It is important to note that all these options present a slow and long path towards the heightening of the eligible pension age (Green Paper, 2007).

Table 14.2 – Retirement age increases by calendar year

Calendar year	Retirement age – option A
Up to 2013	65
2014-2015	65 – 66
2016-2023	66
2024-2025	66 – 67
2026-2033	67
2034-2035	67- 68
2036-2043	68
2044-2045	68 – 69
2046-2053	69
2054-2055	69 – 70
2056+	70

Source: Green Paper (2007).

Table 14.3 – Entry cohort methods of increasing the retirement age

Year of birth	Retirement age – option B, phased from 2016	Retirement age – option C, phased from 2026
Up to 1950	65	65
1951 to 1960	66	65
1961 to 1970	67	66
1971 to 1980	68	67
1981 to 1990	69	68
1991 to 2000	70	69

Source: Green Paper (2007).

Over the course of the period 2010 - 2014, a number of things happened concerning this age limit. The Social Welfare and Pensions Act of 2011 enforced a number of changes to the State Pensions eligibility ages. Through this most recent law, the eligibility age was raised. The Social Welfare and Pensions act of 2010 already rose the pension age from 65 to 66 starting in 2014. The amending law that followed the next year set out the long-term route for the State Pensions. According to the law, the pension age will be raised to 67 in 2021 and to 68 in 2028 (Social Welfare and Pensions Act, 2011). It is clear that the eventual result implemented changes faster, and on a more rigorous scale than the initial proposals in the Green Paper envisaged.

Starting year	< 2014	2014	2021	2028
Eligibility age	65	66	67	68

New eligibility rules. Source: Social Welfare and Pension Act 2011.

Cash Benefits (Rates)

In the Green Paper the government writes that it intends to contribute to *"increasing the basic State Pension to at least €300 per week by 2012; aiming to secure a retirement income from all sources of at least 50% of pre-retirement earnings (note: replacement rate); and working to develop flexible responses to retirement"* (Green Paper on Pensions, 2007: 1).

However, the Irish benefit rate for the State Pensions has been frozen since 2009 and is still at a weekly level of 219 euro in 2014. That means that the weekly determined benefits have not been indexed for possible increases in wage levels, and neither for any levels of inflation. A practice that was common in every new budgetary year up until 2009 (Government of Ireland, 2009). However, when we further assess the average Irish level of inflation over the period 2009 - 2014, we have to conclude that it was almost zero (Inflation.eu). In that sense, it is questionable to which extent this lack of indexation has led to net losses for recipients of these State Pensions.

The ambition of the Irish government seems to have changed as well. In the National Pension Framework, it is formulated that the government will seek to maintain the so-called 'replacement' rate at an average of 35%, whereas this ambition in 2007 was to heighten it to 50% (Government of Ireland, 2010). In that sense, the idea of expansion in 2007 seems to have made way for an approach that focuses on consolidation of current levels.

A second measure concerned the so-called 'Christmas bonus'. This bonus is shaped by an extra payment for recipients of social welfare as well as State Pensions around Christmas. For the most recent years up until 2009, this payment had consisted of an 'extra month' thus corresponding to the monthly

amount of money received. In 2009, the Fianna Fail-Green Party government cut all Christmas bonuses (Casey, 2012).

Average inflation levels Ireland 2009 - 2014:

2009	2010	2011	2012	2013	2014	Average
-4,46	-0,93	2,59	1,72	0,5	0,15	-0,072

(www.inflation.eu)

State Pension (Non-Contributory) in 2009

(Ireland Budget 2009/2014 - Rates of Payment, 2009/2014)

State Pension	Rate per week 2009	Rate per week 2014
Personal rate 66-80	219 Euro	219 Euro
Personal rate 80+	229 Euro	229 Euro

Unemployment benefits

The unemployment benefits were re-named in Ireland in 2006 to Jobseekers Benefits. A switch that indicates a move towards 'social investment' (Hemerijck, 2013). These benefits have in fact been divided into two different programs, namely the Jobseekers' Allowance and the Jobseekers' Benefits (Department of Social Protection, 2014).

The department has designed rules to differentiate between the programs. The Jobseekers' Benefit is reserved for those individuals who have paid sufficient contributions through their Pay Related Social Insurance, or PRSI. These are payments made by citizens during their working life into the Social Insurance Fund (SIF). When the number of contributions paid passes a certain threshold, individuals are entitled on receiving a Jobseekers' Benefit upon losing their job. As opposed to the Jobseekers' Allowance, for the Benefit no means test applies and thus is every individual passing the threshold eligible to receive the full amount of cash. However, the Jobseekers' Benefit is of a temporary nature after which an individual is forced to switch to the Jobseekers' Allowance when still unemployed (Department of Social Protection, 2014).

Eligibility Criteria

Jobseekers' Benefits:

The Jobseekers' Benefits are available over a temporary period of time, as mentioned before. A number of changes have occurred in the duration of the Jobseekers' Benefit. Starting from the 3rd of April 2013, they have been reduced from 12 to 9 months for beneficiaries who have made over 260 Pay Related Social Insurance contributions. For those who have made less than 260 PRSI contributions paid, it has been reduced from 9 to 6 months of benefits (Department of Social Protection, 2014).

Jobseekers' Allowance:

Contrary to the Jobseekers' Benefit - which is based on the number of contributions made by an individual - is the Allowance based upon a means test, residential test and a person's age. In this last eligibility criterion a number of changes have taken place. Starting 2014, the age on which someone qualifies for a higher Jobseekers' Allowance has shifted upwards. This is also visible in the following table when discussing the involved cash benefits. Until 2013, a differentiation between the age groups of 18 - 22, 22 - 24 and 25+ was in place in which every older age group was entitled to a higher amount of weekly Allowance. In 2014, this significantly changed with all youngsters of the age 18 - 24 only being entitled to the lowest category of Allowance. This effectively means that it takes a longer time for people before they are eligible to receive the normal amount of Allowance (Department of Social Protection, 2014).

Cash Benefits

Jobseekers' Allowance weekly cash benefits:

A number of changes considering the cash benefits involved in the Jobseekers' Allowance can be observed. Whereas the benefit involved a weekly 204,30 euro in 2009, this had gradually been brought down over the course of years. By 2013, the maximum amount of weekly cash is at a level of 188 euro (Department of Social Protection, 2014).

Age	2009
25>	204,30

Age	2013
18 - 22	100
22 - 24	144
25>	188

Age	2014
18 - 24	100
25	144
26>	188

Changes in age and benefit levels 2009 - 2014. Source: Department of Social Protection.

Jobseekers' Benefit maximum weekly cash benefits:

For the Jobseekers' Benefit we see a similar reduction in the maximum weekly cash benefits coming from over two hundred euro per week in 2009. Roughly speaking, this enhances a reduction of almost 70 euro per month for 2014, in comparison to the 2009 level (Department of Social Protection, 2014).

2009	2014
204,30	188,00

Concluding

For both policy areas we witness changes in both indicators. The field of old-age pensions saw a raise in the eligibility age for pensions. This eligibility age is being brought up in steps to eventually 68 years in 2028. The debate had already started before the crisis broke loose, as can be read in the Green Paper that was published in 2007 on the eve of the crisis.

However, it has to be noted that a number of interesting discrepancies exist between the Green Paper of 2007, and the eventual National Pensions Framework of 2010. Concerning the eligibility age, the Green Paper proposed a number of different strategies that could serve as options to slowly increase the age level. Interestingly, the eventual path implemented by the National Pensions Framework is a lot faster and more rigorous of nature than those proposed by the Green Paper. Second, the Green Paper formulated the ambition to raise pension levels to a weekly benefit of 300 euros by 2014, reaching a replacement rate of 50%. Eventually, rates have been frozen since 2009 at a maximum rate of 229 euros per week and The National Pensions Framework articulated the ambition to maintain a replacement rate of 35%. Significantly lower.

In the area of the Jobseekers' Benefit and the Jobseekers' Allowance, similar developments are visible. Concerning the eligibility criteria, we observe for the Benefit a cut of three months in the duration of the entitlement. For the Jobseekers' Allowance, a shift has been made in the eligibility age, raising the bar for youngster to be entitled to the full weekly amount of money. When regarding the cash benefits for both the Jobseekers' programs, we observe a cut in weekly payments in both programs. The maximum weekly cash amount was reduced from 204,30 in 2009 to 188 in 2014. This amounts to a decrease of 8%.

Policy Change

In the first two sections of the Irish case study, we have examined the economic crisis that hit the country. We observed that coming from a longer period of economic prosperity and high growth, this collapsed dramatically from 2008 onwards. GDP growth percentages started to hit the red numbers, with GDP decreasing over the years. At the same time, unemployment rates soared up to average levels of almost 15 per cent. Coming from a situation of almost full employment, the impact of this turn of events can be considered as significant.

In the same period, we saw that social expenditure started to go up as a cause of the crisis. The high levels of unemployment put pressure on the finances of the Social Insurance Fund (SIF) with more people applying for Benefits and Allowances. Social Expenditure went up from 16% of GDP to almost 24% during the period 2008 - 2010.

The third important observation stems from our assessment of changes in the pension and unemployment areas. For both social policies, we checked for differences through the period 2008 - 2014 on the side of the cash benefits, as well as the eligibility criteria. In the previous section, we saw numeral changes occur. In this section we will zoom in on the processes of policy change.

Advocacy Coalitions: relevant actors

The first step is to analyse the different actors that are present on the Irish policy stage. In our methodology we explained that a true coalition analysis is out of the scope of this research. We will thus focus attention on analysing actors, and scoring them as change-oriented and status quo oriented. We will not specifically look at activities between actors in achieving a policy goal. As argued before, our focus will be for a great deal on the political arena, since this is where decisions are ultimately being made with regard to our case. Even though Ireland is described as a liberal welfare state, we have seen that it is familiar with a corporatist tradition. In analysing this aspect, we will make use of extensive secondary literature analysis and party documents as well as social pacts.

Hansen (2009) describes the Irish political party system in his analysis as a 'two and a half' party system. With this term, he points out the position of the two dominant political parties, namely Fianna Fail and Fine Gael, as well as the 'half' of the Labour Party. Even though the latter has been in the main house since 1922, its position has always been rather marginal compared to the two main parties. In his analysis, the parties are not to be categorised on a left-right scale, but rather behave according to government - opposition parties. Since one of the parties has always been in government, the other has always been the opposition. Therefore, we observe that they always move electorally in opposite directions, even though their policy preferences are rather close to each other (Hansen, 2009). We will quickly describe these three main parties.

Fianna Fail is the republican party. It is described to be rather mainstream, with a broad focus on social, infrastructural and judicial issues. Throughout history, it has been the largest party. The party has either been in government on its own, or in a coalition with a second political party almost continuously for the last 80 years (O'Higgins & Morgan, 2006). The party comes from a liberal tradition, and is therefore in the European Parliament member of the ALDE group (Fianna Fail, 2014). It is thus not a defender of the welfare state status quo.

Fine Gael is described as the progressive centre party. It has a strong focus on the values of enterprises and rewards. Topics of importance are security, integrity and personal liberty. Fine Gael has been the government party in those less frequent periods where Fianna Fail was not part of the government. In that sense, the two parties have been switching seats over the last 80 years (O'Higgins & Morgan, 2006). In the European Parliament, the party belongs to the European Peoples Party or EPP (Fine Gael, 2014). Fine Gael does not seem to be a defender of the welfare status quo either.

The Labour party is considered to be the more social democratic group in the Irish parliament. It positions itself left of the two centre parties Fine Gael and Fianna Fail. As part of the social democratic family of parties, it stands for values of equality, the strength of the community and the importance of democracy. It is known to stand in close relationship to the trade unions. Labour has been a junior coalition partner in governments with Fine Gael (O'Higgins & Morgan, 2006). In the EP labour is member of the S&D group (www.labour.ie). Labour comes closest to defending the welfare state status quo.

Trade unions and the social pact

Between the late 1980s and 2009, multiple agreements were reached between the government, employers and trade unions. However, when we arrive late 2009 in the midst of an unravelling crisis, things start to go wrong. The year before, in 2008, a wage agreement was reached between government and unions (O'Malley, 2010). Under pressure to get control of public finances, the government tried to renegotiate wages. However, in March she broke off these negotiations and presented an emergency budget including a significant cut in public sector wages. In December 2009, another agreement seemed to be close. However, at the final moment government ministers and backbenchers put pressure on the government to retreat from the deal, not being happy with its terms. Concluding, the December 2009 budget again unilaterally cut public wages with an average of 7% (Doherty, 2011). In 2010, a new agreement was actually reached between the Fianna Fail government and the trade unions, with two thirds of the unions backing the deal but many still unhappy. In the deal it was agreed that until 2014 no further public wage cuts would take place (Doherty, 2011).

This process shows that the Irish social model managed to work for a long time. However, when the going got tough under the economic pressure Ireland was under in 2009, the government was able to withdraw out of an agreement twice in a row with unions resisting further change. In this sense, engaging in social pacts have always seemed to be a political choice rather than anything else. It is

also argued that by doing so, the government focused primarily on the fiscal and banking crisis, leaving the social crisis that was on the verge of arising aside (McDonagh & Dundon, 2010).

Change in Governing Coalition

Next, we will regard the changing dynamics between these actors through changes in the governing coalition. This will be based on a broad analysis of secondary literature, party programmes and programmes for government.

2011: New elections

In 2011, the Irish political landscape changed dramatically after national elections. When looking at it in comparative perspective, it was the third most volatile election in the history of European elections since 1945, and by far the most volatile without the introduction of a new political party (Marsh & Mikaylov, 2011).

Fine Gael - Labour government

The elections resulted in an unprecedented defeat for Fianna Fail. The party that had lead the government for 14 subsequent years would now be sent back into the opposition benches. Whereas the party collected 41,6% of the votes in 2007, the Irish electorate threw her back, by 24 points, to merely 17,4% of the votes in 2011. In order to contextualise this result, one should keep in mind that Fianna Fail, since its first election victory in 1932, never got less than 39% per cent of votes (Marsh & Mikaylov, 2011).

The two big winners of the election, profiting most from the voters turning their back on Fianna Fail, were Fine Gael and Labour. Fine Gael gained about 9% of the votes, going up to a total of 36%. Labour gained around the same amount of votes, ending at 19% of the votes. All of this leaving Fianna Fail only to be the third party (Little, 2011). The results are summarised in the following table.

TABLE 1
THE FEBRUARY 2011 AND MAY 2007 ELECTION RESULTS

	2007			2011		
	% votes	Seats	% seats	% votes	Seats	% seats
Fine Gael	27.3	51	30.7	36.1	76	45.8
Labour Party	10.1	20	12.0	19.5	37	22.3
Fianna Fáil**	41.6	78	47.0	17.4	20	12.0
Sinn Féin	6.9	4	2.4	9.9	14	8.4
Socialist Party	0.6	0	0.0	1.2	2	1.2
People before Profit Alliance	0.5	0	0.0	1.0	2	1.2
Green Party	4.7	6	3.6	1.9	0	0.0
Progressive Democrats	2.7	2	1.2	n/a	n/a	n/a
Non-party ('Independents')	5.8	5	3.0	12.6	15	9.0
Totals*	100.2	166	99.9	99.6	166	99.9
Turnout	67.03			69.9		

Notes: n/a = not applicable. The Progressive Democrats were dissolved in November 2009, with its TDs becoming Independents.

*Rounding error and the exclusion of very small parties cause these totals to be greater or less than 100%.

**Fianna Fáil held the office of Ceann Comhairle (speaker of the house) at both elections. This office-holder is returned automatically.

Source: Little, 2011: 1309.

2011 - 2016 Government Programme

The election results put Fianna Fail outside of the scope for government participation. The logical consequence was to try and shape a broad coalition under the leadership of Fine Gael, with Labour as the junior coalition partner. Fine Gael got ten minister positions whereas Labour got five. The position for Minister of Social Affairs went to a Labour party official, namely Joan Burton (Little, 2011).

In March 2011, the newly elected government presented its programme for the following years. *Towards Recovery: Programme for National Government 2011 - 2015* presents all the plans Fine Gael and Labour are planning to implement over the course of their governmental period. The document is composed of four different sections: Economy, Reform, Fairness and Progress. When moving towards the 'Fairness' section, we observe a multitude of topics that pass the revue. There is a strong focus on reforming the healthcare sector, increasing the quality and range of education, fighting literacy and aiding the housing sector and tackling mortgage debt. The programme does not mention anything concerning other social policies, old-age pensions and Jobseekers' Benefits (Fine Gael & Labour, 2011). Thus, the influence of Labour as a defender of the welfare state in the government coalition seems to be rather small.

Public Opinion

The following section will focus on the public opinion concerning measures to fight the crisis and the status of the welfare state. Measuring public opinion in relation to welfare state reform is a difficult job. Finding the right criteria would be best possible if one would design its own questionnaires. However, it turned out possible to regard a broader public opinion towards the approach the Irish government took in battling crisis. In this respect, we consider public opinion towards the approach of fiscal adjustment and budget cuts, captured by the term 'austerity', as an important indicator. In order to track this public opinion, we analysed the database of the Irish Times for opinion polls and other data.

An opinion poll by the Irish times (2011) done in October, little over half a year after the new government was installed, shows a consistent support for the government parties. It also shows that the voters of leading party Fine Gael, of whom most belong to upper and middle social classes, believe austerity is the way to go for recovery. The party had still remained all of its support during these six months after the general elections of February that year (The Irish Times, 2011).

The second major measure moment for austerity policies followed with an Irish referendum on May 31st 2012, to ratify the Fiscal and Stabilisation pact with enclosed in it, the much-discussed 3% budget deficit norm. In other words, a yes-vote was interpreted as being in favour of austerity, since it would mean large cuts in order for the Irish government to meet these targets. When looking at the media, we see much attention in opinion sections in the run-up the referendum. Eventually, a large majority of 60,3% of the people voted in favour of the treaty

(RTE News, 2012). The yes-vote can be considered as a support of the on-going approach to Ireland's economic recovery.

In December 2013, polling agency Red C published results of a public opinion research. The poll was commissioned by the EU Democrats, and thus should be approached with caution. The main question was: *if the continued existence of the euro required people in the Eurozone to accept cuts in pay, pensions or welfare provisions would you be willing to do so or not?* 67% of the 1000 interviewees answered the question with "No" (Red C, 2013).

The Economist (2013) also reports a sense of Austerity fatigue among the Irish citizens around the same time. Quoting Ireland's finance minister Micheal Noonan stating *"too long a sacrifice can make a stone of the heart"*. While presenting the eighth austerity budget in October 2013, the Irish government had already cut 28 billion Euro in the seven previous budgets, amounting up to 17% of GDP. The minister took 600 million Euro out of the planned 3,1 billion Euro cut for the 2014 budget, to signal the beginning of the end of austerity (The Economist, 2013).

These opinion polls give the impression that certainly in the beginning and during the election victory of Fine Gael, a majority of the Irish people was in favour of an approach of austerity in battling the economic crisis. The party was in favour of this approach and at least until the end in 2012 backed in this by its voters. The yes-vote for the referendum in 2012 is another indicator that the wielded strategy was approved by the Irish people up until that point. However, since the end of 2013 a certain kind of 'austerity fatigue' appears to have been growing. This is indicated by the opinion poll of Red C, but also confirmed through statements made by Irish government officials.

Impact international policy settings

Following from our theoretical framework, we are assessing whether any influence has taken place from international policy settings. By now, it has become clear that the most prominent international setting that has made an impact on the Irish case is the deal that was last-minute negotiated by the Fianna Fail government with the so-called 'Troika'. In order to grasp the importance and influence of these international actors, we have analysed the 2010 agreement. In the document, extensive policy conditionality was included in order to receive a 67 billion euro loan. The conditionality is categorised in three different fields of reform namely fiscal consolidation, financial sector reforms and structural reforms. We will list those parts of the policy conditionality that seem to be of significant relevance to this research (IMF & EU, 2010).

Fiscal Consolidation:

- Reduction of current expenditure in 2011 of at least 2,090 million Euro including; reduction in Social Protection expenditure and a reduction of existing public service pensions on a progressive basis averaging over 4%. (Q1 - 2011)

- The government will provide a draft budget for 2012 aiming to further reduce the government deficit in accordance with the National Recovery Plan including the detailed presentation of consolidation measures amounting to at least 3,6 billion Euro. The budget will provide for a reduction of expenditure over 2012 of at least 2,1 billion including: social expenditure reductions. (Q4 - 2011)

- The 2013 budget will provide for a reduction in expenditure of no less than 2 billion Euro including: social expenditure reduction, reduction of public service numbers and public service pension adjustments and other programme expenditure. (Q4 - 2012)

Structural Reforms:

- Reduce the risk of long-term unemployment. The government will reform the unemployment benefit system in such a way as to provide incentives for an early exit from unemployment. This reform of unemployment and social assistance benefits will be part of overall reforms in the welfare system designed to reach budgetary savings of 750 million in 2011. (Q1 - 2011)

- The Authorities undertake to introduce legislation to increase the state pension age. Under the government's National Pension Framework the age on which people qualify for the State Pension will be increased to 66 in 2014, 67 in 2021 and 68 in 2028. (Q2 - 2011)

As seen from this overview, the EU/IMF bailout programme can be considered as of great influence on the way the Irish welfare state responded to the crisis. It pushed the Irish government into commitment on reforms in order to improve 'fiscal consolidation', through raising revenues, but for the majority through cutting expenditure (IMF & EU, 2010). The policy conditionality also mentions the reform of unemployment benefits, to build in more 'incentives' to work as well as reforms that have to be done in the area of State Pensions.

Change in Socioeconomic conditions

Was the change in socioeconomic conditions - the economic crisis - the main cause for the observed welfare changes? Or was it at least framed that way? As seen in our theoretical framework, crises can be interpreted in multiple ways. In order to get a grip on this external perturbation, we will analyse speeches given by the Taoiseach (Prime Minister), on presenting the yearly budget.

On presenting the budget for 2009 in December 2008, the economic crisis had just broken loose, but not shown itself completely in the magnitude that it would turn out to be. When addressing the Dail (Parliament), the Irish prime minister Brian Cowen formulated the objective to steer Ireland through the global recession as one of the highest priorities. However, he expresses that this will not be easy:

"The global economic and financial climate means we face stark choices. If we do not make the right ones, it will have catastrophic consequences for

the future prospects of our economy and will threaten the livelihoods of current and future generations of Irish people" (Cowen, 2008).

The stark choices that he refers to are primarily the necessary budget cuts. These are needed to improve public finances, which shape the basis of economic growth:

"To deal with this sharp deterioration in public finances, we have chosen a direction based not on soft options, quick fixes or political expediency. Sound and stable public finances are a prerequisite to the delivery of long-term economic and social improvements" (Cowen, 2008).

The second budget is presented in April 2009, against all procedures, as a 'supplementary budget'. In general, this can be considered as an emergency budget. The prime minister explains why a new budget with new budget cuts is needed:

"This Budget was tough. I regret that it will cause difficulties for some. But it had to be tough. As a country, we are providing in 2009 public services on the basis of national income more akin to 2004. People know that it is unsustainable for us to be spending so much more than we are earning in revenue. No household could afford to do it, neither can the state." (Cowen, 2009a)

In the budget a strong argument focusing on Ireland its competitiveness is developed. Bringing down public finances is connected to increasing the competitiveness of the country as well as restoring confidence. The government also argues that it will be important to restore a public image, to attract new investors. However, increasing competitiveness has become the heart of the solution:

"There is no alternative but to restore our competitive position by reducing costs and increasing productivity. We will act to ensure that we regain that competitiveness, so that we can start growing our exports and creating new jobs again" (Cowen, 2009a).

When presenting the budget for 2010 six months later, this same line of argumentation is continued by the prime minister urging for more corrective measures to control spending:

"Competitiveness was eroded, and with the international loss of confidence resulting from the banking crisis and our vulnerability at the end of a construction boom, suddenly a huge gap opened up at frightening speed in 2008 and early 2009 between what we spend and what we borrow. Now for every 30 euro of income we are spending over 50 euro" (Cowen, 2009b)

There is also a strong emphasis on remaining the 12,5% corporate tax rate in order to remain a positive investment climate. For the same reason, income tax

rates can't go up since it will *"scare off high-skilled workers"* (Cowen, 2009b). In his last speech as prime minister, a year later, the same arguments still stand:

"As a society, we became over-optimistic about our recent, seemingly spectacular, economic success, and badly overshot the mark. People became impatient with restraint" (Cowen, 2010).

Three months later, the new Fine Gael - Labour government took over with Fine Gael's Enda Kenny as Taoiseach. One of the first things stated in the speech is the reaffirmation of the 12,5% corporate tax rate, in order to boost job creation (Kenny, 2011). This points out that the image of the Irish political-economic model, characterised by low tax rates and high amounts of foreign capital was still assumed as the policy goal:

"The more you tax something, the less of it you get. This is supported by evidence both international and Irish [...] Increasing it further would have a very damaging effect on indigenous entrepreneurship and on the flow of jobs from Foreign Direct Investment into Ireland" (Kenny, 2011).

And even though the Labour party is part of the government, it is announced that social protection expenditure will also be part of the cuts:

"I wish that this was not the case. But 80% of our current expenditure is on social protection, healthcare and education. It is not possible to reduce spending without affecting these areas" (Kenny, 2011).

In the following year, the focus on returning to high competitiveness and the former Irish economic model through cutting public finances is prevailed. When discussing the 2013 budget, it is argued that the path to prosperity and full employment is still full of challenges:

"This requires that we tackle with equal determination the two other economic legacies of recent Fianna Fail-led Governments - the damage done to our export- and FDI-led economic model during the credit-fuelled property boom, and the massive underlying deficit we inherited in the public finances" (Kenny, 2012).

The debate on the 2014 budget is done in the wake of leaving the bailout programme that coming December. The focus of the government is on public finances and job creation. The importance of cutting deficits is still central:

"We still have to get our public finances back into working order. The huge amount of progress we have had in addressing the deficit is one of the reasons we have seen a return of confidence in Ireland" (Kenny, 2013).

Concluding

Austerity was seen as the only credible solution for Ireland its position in the globalised world economy (Dukelow, 2012). This seems to stem from its political-economic model of a low tax climate, a reliance on Foreign Direct Investment and focus on export. Because it was this model that brought the Irish in first instance the unprecedented economic successes, other ideas might have been seen as unrealistic concerning the open and small Irish economy in this context. This lead from the start to an approach of correcting public finances by cutting budgets. It is in this context that the rising expenditure on Social Protection programs also became part of the scope.

Blame Avoidance

Blame avoidance was to be observed through three strategies: justification, delegations and switch of policies. In our methodology, we decided to analyse blame avoidance after having collected all empirical data during the previous variables. There is no actual evidence to be found for strong blame avoidance. However, from the discourse analysis in the speeches it seems clear that a specific narrative is being created. This narrative is mainly characterised by a collective sense of burden sharing and equity.

"This budget is fair because at its very heart is a plan to create new opportunities for jobs and income growth for struggling low- and middle-income families. There is no doubt that this is a difficult budget, and it will impact on families across Ireland. But it is as fair and equitable as possible" (Kenny, 2012).

It states that 'everybody has to pay a price in order get through this crisis. We ask sacrifices from everybody. Higher incomes already pay more. Unfortunately nobody can escape completely from the financial pains that are needed to restore this country'. By doing so, a justification is given for the actions taken by the government. It is also one against which protest is very difficult to realise. Since everybody has to share a part of the burden, those who protest are quickly to be seen as the once not willing to take their responsibility, not willing to work for the country and can therefore be perceived to be selfish.

Concerning the other two strategies of blame avoidance - switching policies and delegation to agencies - none of them seems to have actually taken place.

Concluding

In this section we have assessed the processes that took place in Ireland over the course of 2008 - 2014. We have seen a severe economic crisis hitting the country, with unemployment levels rising and GDP quickly dropping. We also observed a number of changes in our welfare state indicators. The system variable paints a picture in which political factors played a less extensive role; a change in government did not make any real difference and the trade unions were simply ignored at some point. However, the way this change in socioeconomic conditions is used to put public spending forward as a central problem has been of major importance, and so was the impact of the Trojka in institutionalising these ideas.

Assessing The Netherlands

In this chapter, we will assess the case of The Netherlands regarding the questions formulated in this research paper. The chapter will follow the same structure as the Irish case, enabling a thorough comparison in the conclusions of our paper. That means the first section will be devoted to the Dutch economic crisis within the specific political-economic context. The second part will regard changes in the field of pensions and unemployment benefits within the welfare state context. The third section will focus on the process of policy change.

The Economic Crisis

The Netherlands: A persistent fall

The Political Economic Context

The Dutch political macroeconomic policy strategies have been characterised ever since the early 1980s by the intention to agree on social pacts between the government, employer's organisations and the trade unions. The agreements are founded on mutual commitment of all parties based on a certain belief of shared interests (Colombo, Tirelli & Visser, 2013: 2).

The 1982 Dutch Wassenaar agreement has been identified as the starting point for this new tradition of 'competitive corporatism'. It is here that the government of the Netherlands - in a climate of economic downfall - for the first time negotiated an agreement with the social partners to reduce wages in return for reduced working hours (Pochet & Fajertag, 2000). The Netherlands therefore were added to the list of countries successfully implementing 'the third way'; combining wage restraint, competitiveness and social policies in a supposedly harmonious way (Levy, 1999). However, after 2001 the Dutch economy started to stagnate and nowadays the model of competitive corporatism is being highly criticized for its supposed effectiveness (Woldendorp & Delsen, 2008). It is also more clear now that much of the growth in employment was created by an increase in temporary jobs, while the increase in fte's turned out to be limited (Becker, 2012).

However criticised the model has been after 2001, it did get institutionalised in the Dutch context. One of the main examples of this is the Dutch Social Economic Council, which advises the government. In the council, employer's and trade unions have a formal seat and throughout the 2000s social pacts were agreed upon.

Economic Development

The Dutch economic structure is quite differentiated, with multiple specialisation patterns that play an important role. About 75% of the Dutch economy consists of jobs in the services sector. The majority of these companies - about two thirds - is active in the commercial sector. Again, zoomed in on the commercial services sector we see that trade and rental services play an

important role. Financial services also shape a significant part of the sector (WRR, 2013).

The structure is characterised by large export- and import volumes as well as large 'throughput' volumes. Therefore, the country functions as an international hub. This is clearly visible in the trade statistics of the country and its ports; Rotterdam is the largest harbour of Europe. The Netherlands are a trading country when comparing the volumes to its GDP. Its total contribution to global export is over three per cent, making it the 5th largest exporting country in the world and ranked the 7th most open economy in the world according to the OECD (WRR, 2013).

Economic and Fiscal Crisis

The financial and economic crisis ran a different course in the Netherlands than it did in Ireland. The crash was not as immediate for the entire economy because the country was not hit by the housing bubble the Irish economy had. As we will describe in this section, the situation evolved like a three-stage rocket starting with a financial crisis, moving into an economic crisis and finally ending up as a budgetary crisis (Kickert, 2012).

On the 16th of September 2008, when presenting the budget to parliament, Minister of Finance Bos stated that the Dutch economy was strong and could take a punch (Bos, 2008). However, eleven days later after a number of nightly crisis meetings it was the Belgium-Dutch bank Fortis that was rescued by the governments of Luxembourg, Belgium and the Netherlands as the first of a number of EU banks to come (Ferry & Sapir, 2010).

Being a highly open economy and a trading nation, the stagnation of world trade and growth in the global economy was inevitably going to affect the Dutch economy. In 2009, the government developed a stimulus package with which already planned investments were being brought forward and budgetary cuts postponed in order to keep the economy going based on a demand-side Keynesian approach (Kickert, 2012). The last stage of the rocket to arrive was the budgetary crisis, which was the consequence the financial policies wielded in the period before. The attempts to stabilise the financial system in combination with stimulus measures left the government with a relatively large state debt (Kickert, 2012). After the 2010 elections, the time had come to put budgetary cuts and savings on the agenda.

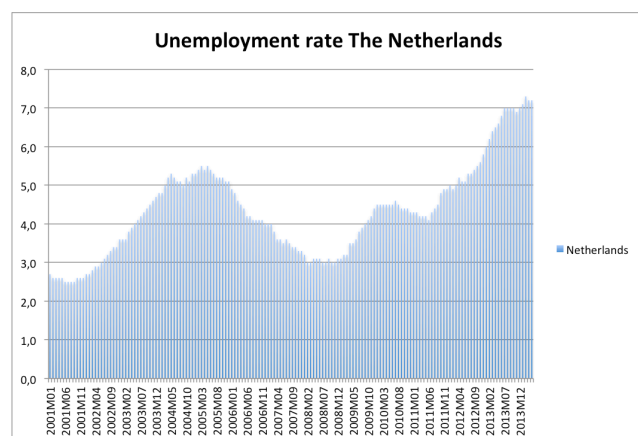
Unemployment

The economic turmoil that started in 2008 did not have an immediate effect on the Dutch unemployment rate. When looking at the two following graphs, we see that it took off from 2011 onward (Eurostat). There are two main reasons for this delayed response in comparison to the Irish case. First of all, since there was no housing-bubble crash of any sorts in the Netherlands, the effect of the global recession had a delayed effect on the unemployment rate. Second, the government first responded with a stimulus package, that way artificially supporting the economy. However, once it starts to rise from 2011 we observe

that unemployment rates hit 2,5 times the 2001 level. Only during the years 1983-1984 similar levels of unemployment were reached (CBS, 2014). The data concerns the unemployment rate, as a percentage of the total workforce.

Year	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14
%	2,7	2,7	3,6	4,8	5,3	4,9	4,0	3,2	3,1	4,5	4,3	5,0	6,0	7,1

Unemployment rates the Netherlands as measured on M1 of each year. Source: Eurostat.



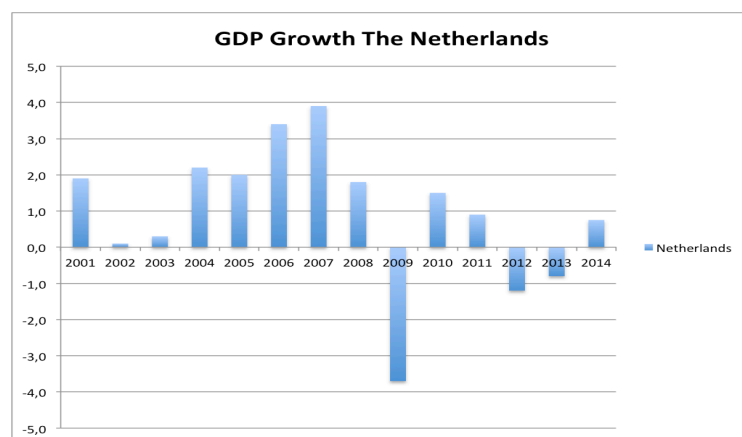
Unemployment rates the Netherlands as measured on M1 of each year. Source: Eurostat.

Gross Domestic Product Growth

The following data represents the national Gross Domestic Product growth as percentage on the previous year. The data over the years 2001 - 2013 is provided by the statistical database of Eurostat. The prediction for GDP growth over 2014 comes from the Dutch Central Planning Bureau. When observing the data, we can tell that the average over the period 2001 - 2008 is a GDP growth of 2 per cent. However, over the period 2009 - 2014 the average is -0,4 when including the 2014 projection, and -0,7 when excluded. We can see that the GDP growth numbers follow more or less the same pattern as the unemployment rates with periods of severe negative growth.

Year	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14
%	1,9	0,1	0,3	2,2	2,0	3,4	3,9	1,8	-3,7	1,5	0,9	-1,2	-0,8	0,75

Gross Domestic Product Growth percentage change on previous year. Source: Eurostat/CPB.



Gross Domestic Product Growth percentage change on previous year. Source: Eurostat/CPB.

Concluding

In the previous section we have attempted to map the severity of the economic crisis in the Netherlands. The Dutch economy is characterised by its openness and relatively diversified specialisation patterns. Because of this combination, the crisis did not come with a crash, but rather with a long run-up. However, now the Dutch find themselves in a situation where their economic malaise seems to be of a rather persistent nature with GDP growth still very unstable and an ever-rising unemployment rate. In the following part of this chapter, we will assess whether any policy decisions have been taking during this period that were of influence on welfare state arrangements.

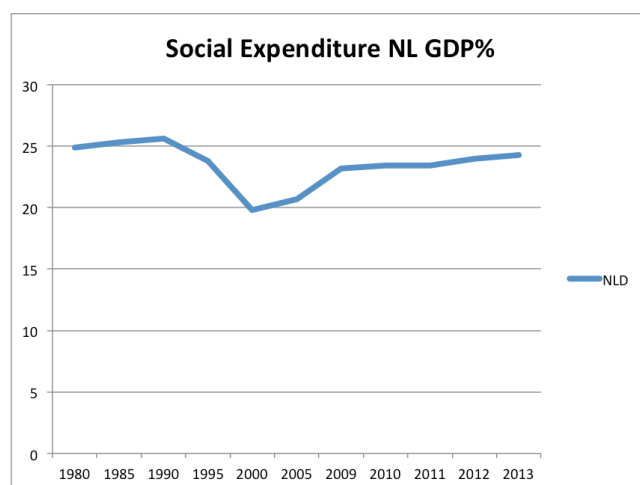
Welfare State Change

The Dutch welfare state in context

In the following section we will set off to investigate whether any adaptations were made to Dutch welfare state arrangements during the period of crisis. Its nature has been subject of academic debate for a long time. Ever since Esping-Andersen published his famous *three worlds of welfare capitalism* have people been debating his typology of different European models. The Netherlands makes an interesting topic of discussion because the model can be considered as a hybrid type, moving between a corporatist and a social democratic model (Esping-Andersen, 1989; Arts & Gelissen, 2002).

By the end of the 1970s a pattern started to shift - as we have seen before - the oil crisis and following economic downturn threw the Dutch economy back into reverse with unemployment rising to high levels and peaking in 1982. Measures were taken by cabinets to increase the economic growth and decrease unemployment. As part of that, retrenchment packages were formulated to tackle these issues as well as to bring down public expenditure. During the period 1982 - 2002, five subsequent governments brought down the generosity of the Dutch welfare state with an average of -3,2% (Vis et. al, 2008). However, even after this period it is still considered to be one of the most generous welfare states existent.

When considering the level of annual social expenditure we see more or less the same picture as described above. On the OECD's Social Expenditure Index, the Dutch level peaks in 1990 with 25,6% of GDP being spent on social policies. In the next decade, when policies start to take effect, it goes rapidly down to 19,8% in 2000. Rising slowly after to 20,7% in 2005, it starts to move back to its 1980 level once the crisis kicks in and unemployment is on the rise. In 2013, it was at the level of 24,3% and did not seem to have reached its peak (OECD, Social Expenditure Index).



Source: OECD Social Expenditure Database.

Old-age pensions

The Dutch context

When considering the expenditure levels on public pension expressed in GDP, we observe that the country held the lowest score in the European Union in 2010. *The Ageing Report* shows that at that point, expenditure on public pensions only compared to 6,8% of GDP. For example, the EU level at that point was 11,3% of GDP, a significant difference. This expenditure level is projected to rise to 10,4% of GDP in 2040, and stay at that level up to 2060. By doing so, the expenditure rise of 3,6 percentage point is higher than the EU average rise of 1,5 p.p. However, total expenditure in EU27 is projected at 12,9% of GDP thus the Netherlands will still remain below average (European Commission, 2012).

As in most countries, the Dutch pension system is comprised of multiple pillars. The first pillar is the public elderly pension (Aow). This is a flat-rate scheme meaning that every person reaching the eligibility age will receive the same benefit. In principle, when considering the individual basis, this pension provides for 70% of the minimum wage. The second pillar is a supplementary earnings-related pension. This is usually built up through contributions made to a capital fund during the working life. The third pillar consists of other voluntary built up savings. However, this last one is less developed in the Dutch context (De Grip e.a., 2013). As with the Irish case, our focus will be on the state pension schemes for which the government carries responsibility. In the Dutch case, this is comprised of the Aow.

Reforms

Since the introduction of the Aow in 1957, the lawful eligibility age had remained at 65 years. Even though the ageing society posed a general problem to European countries, no actual policy process had started in the Netherlands before the start of the economic crisis, as happened in Ireland. However, once the economic turmoil started to come down on the small nation, things appear to have started moving (De Grip e.a., 2013).

The first moment that talks about reforming the pension system really entered the political agenda was in the fall of 2009. Commissioned by the government, a number of working groups were formed with the assignment to analyse in which policy fields cutbacks were possible in order to reach a sustainable budget. One of these groups came with proposals among which the pension age (Gerritse, 2009).

Eligibility Criteria

Since the Aow is a flat-rate arrangement, the main eligibility criterion is the pension age. The Gerritse report (2009) is the starting point for discussions on this aspect of the state pension. Since the financial crisis is expected to worsen the public finances, the report proposes a list of reforms to make them more sustainable. One of these proposals is to raise the Aow eligibility age from 65 to 67 over the course of 24 years (Gerritse, 2009). In 2010 after a hard debate accompanied by many demonstrations, this discussion crystallised into a social pact between trade unions, government and employers (Stichting van de Arbeid,

2010). In 2011, the pact was translated into a new law implementing the agreed changes. However, the new government that came into office by the end of 2012 decided to adapt the plans and proposed further reforms for raising the pension age (VVD & PvdA, 2012).

1957 law	2011 reform	2012 proposal
65	66 in 2020; 67 in 2025	66 in 2018; 67 in 2021

Development eligibility age (SvdA, 2010; VVD & PvdA, 2012).

Cash benefits

On the other side of the isle is the assessment of cash benefit levels rewarded by the state pensions. With this, we mean the monthly amount of money an individual participant in the program is entitled to.

In the same 2009 report with austerity measures proposing to raise the pension level, a paragraph is devoted to a possible 'disconnection' of the pension benefits (Werkgroep Gerritse, 2009). With a disconnection, it is meant that benefit levels are no longer indexed. In the Dutch context, benefit levels were always supposed to grow with the minimum wage and inflation levels. However, as can be seen by the following table, this was never implemented (Rijksoverheid, 2014).

2009 level	2014 level	Increase %	Total inflation
932,81 euro	1040 euro	11,5 %	10,02%

Development state pension benefits. Sources: CBS & Rijksoverheid (2008; 2014).

Concluding

The period 2009 - 2014 saw a number of changes in the Dutch old-age pension arrangements. These happened on the eligibility side, the benefit side appears not to have had any real adaptations. The pension age however has seen a number of changes and possibly even more to come. From the publication of the report by the Werkgroep Gerritse, raising the pension age entered the political agenda and a law was approved 1,5 year later.

Unemployment benefits

The Dutch unemployment benefit system is organised in the so-called 'Werkloosheidswet' or WW. It is a temporary benefit for those people who lost their job. The length and height of the payment are dependent upon the labour history of the individual (Rijksoverheid, 2014).

The Gerritse report also mentioned the WW as one of the areas in which cutbacks were possible. Different proposals are made in which the length of the unemployment benefit is brought back from a maximum of three years to either 1,5 or 1 year (Werkgroep Gerritse, 2009). In 2013, the new government comprised of a coalition between the liberal party VVD and the labour party PvdA came to an agreement on a new social pact with the trade unions and employers organisations. In this agreement, a number of proposed changes were also included concerning the unemployment benefits (SvdA, 2013).

The previous arrangements were the following (Rijksoverheid, 2014b):

Unemployment Benefit
Length: maximum of 38 months
Benefit: 2 months 75% and then 70% last-earned wage
Saving of WW time: 1 year work = 1 month WW benefit
After one year all alternative work is suiting

Source: Rijksoverheid, 2014b.

Eligibility criteria

In the new eligibility criteria agreed upon in the social pact (2013), which are implemented in the new law, the time which it takes to build up unemployment benefits has been extended. As can be seen in the previous table, in the old rules every working year represented the right to one month of unemployment benefit, with a maximum of 38 months and a minimum of 3 months. However, in the new rules only the first 10 years of an individual its working life represent the right to one month of benefit. After that, every working year entitles you to half a month of WW (Rijksoverheid, 2014b).

Second, the Dutch unemployment benefit includes incentives for participants to search for new jobs and thus exit the program as soon as possible. One of the points in this debate is at what point the government can force you to accept available work, even when this is not 'suiting' with your profile; e.g. under your level of education, different field of profession etc. In the former rules, after one year of unemployment all alternative work became suiting. However, in the new bill this is shortened to a period 6 months after which all work is considered as suitable (Rijksoverheid, 2014b).

Former	New
1 year work = 1 month benefit	After 10 years: 1 year = 1/2 month
After one year all work is suitable	After 6 months all work is suitable

Source: Rijksoverheid 2014b.

Cash benefit

In the social pact and the law, a shortening of the unemployment benefit duration is decided upon. The maximum length of the WW was in the former arrangements 3 years. The new law cuts this back by one third, to a length of a maximum of two years. Social partners are allowed to organise an extra year in collective wage agreements, but the government retreats from this task (SvdA, 2013). Considering the monthly cash benefits, namely 70% of the last earned wage, no changes are proposed (Rijksoverheid, 2014b).

Former	New
Length: maximum 3 years	Maximum 2 years
Benefit: 70% last-earned wage	No changes

Source: Rijksoverheid 2014b.

Concluding

The old-age pensions saw an increase in the official retirement age. In first instance, it was agreed with the social partners to raise it to 66 years in 2020, and most likely to 67 in 2025. However, a new law has been proposed by the Liberal-Labour government, bringing up the retirement in a faster pace, to 66 in 2018 and 67 in 2021. On the cash benefit side of the old-age pensions, no significant changes seem to have occurred.

Concerning the unemployment benefits, changes are observed on the eligibility and the cash benefit side. On the eligibility side we observe that it will take individuals a longer time to build up benefit rights through the course of their working life. At the same time people can quicker be forced to accept alternative work. A major reform on the cash benefit side is the shortening of the entitlement period from a maximum of 3 to a maximum of two years. The monthly cash benefits have remained the same.

We have witnessed a number of reforms in Dutch welfare arrangements that appear to be significant in size. In the next section, we will assess whether a viable connection is present between the earlier observed economic turmoil, and these changes in social policies.

Policy Change

As with the Irish case, we will devote the following section to investigating the systemic developments connecting our economic observations with the changes that have taken place in the Dutch welfare state policies. We saw that the economic crisis started off relatively slow in the Netherlands with unemployment rates remaining relatively stable for a longer period of time. However, from September 2008 the Dutch government had to intervene in the financial system by nationalising banks in order to prevent a broad meltdown. By doing so, it was the first government to intervene in such a way within the EU.

Advocacy coalitions: relevant actors

Again, following from the theory, the first step is comprised of analysing the different actors that are present on the Dutch policy stage. In our methodology we explained that a true coalition analysis is outside of the scope of this research. We will thus focus attention on analysing actors, and scoring them as change-oriented and status quo oriented entities. Unfortunately, we will not specifically look at activities between actors in achieving a policy goal. This will thus make it difficult to say much about the relation between these actors. However, it does paint a picture of the balance of power concerning the welfare state. As argued before, our focus will be for a great deal on the political arena, since this is where decisions are ultimately being made with regard to our case. In doing so, we will first of all make use of extensive analysis of secondary sources such as literature and online archives as well as party documents. Second, we will analyse the content of social pacts as to assess the position of social partners.

Political system

The Dutch political system can be characterised as a bicameral multiparty system with the classical division of labour in these parliamentary systems. The two chambers can be considered as the general assembly (Tweede Kamer) and the Senate (Eerste Kamer). The country has known a tradition of coalition government for a long time. For many years, the Christian Democrats (CDA), the liberals (VVD) and the labour party (PvdA) dominated politics. With the three of them, they covered the spectrum from left to right. However, it is argued that as the three of them converged in ideology, space opened on the sides of the spectrum creating opportunities for new parties to emerge. Examples of that are the rise of Dutch populism and the successes of the Socialist Party (Pennings & Keman, 2008). Partly as a cause of that, it is said that a move is visible towards more assertive and adversarial politics replacing the former consensus driven style (Andeweg, 2008). We will give a brief overview of the important political parties.

Important parties

The Christian Democratic Appel (CDA) came into existence in 1980. It was the result of a merger between three large confessional parties. The party has traditionally been the party in the middle of the political spectrum. Because of its large theological roots in the Dutch society and its moderate position, it was always in government up until the 90s. However, during these years it suffered historical electoral losses by multitude of causes. Starting 2000 the party made its comeback winning four elections in a row (DNPP, 2014). As conservative centre-right party, it is not a defender of the welfare state status quo.

The two main liberal parties are VVD and D66. The latter was once created as a protest party to enforce reform of governance, but slowly moved to more mainstream politics and now is close to the classical liberal party VVD. Both are member of the ALDE group in the European Parliament. Especially the VVD is known to be well connected to the major employers organisations, of which VNO-NCW is the most prominent one. The VVD (Peoples party for Freedom and Democracy) has historically always been in the shadow of the Christian Democrats and Labour. However, in 2010 the definite electoral breakthrough came (DNPP, 2014). As liberal parties, they neither are a defender of the welfare state status quo.

The third important party in the parliamentary history of the Netherlands is the labour party (PvdA). It came into existence right after the war in 1946. The party was traditionally interwoven with the trade unions and had a monopoly on the left side of the spectrum. However, with the rise of the socialist party as described before, both these facts are under pressure to change (DNPP, 2014). As labour party, it is resistant to change and defender of the welfare state status quo. The Socialist Party complements the left flank of the spectre as far-left party. It is categorised as strong defender of the welfare state.

Dutch populism

A last important parliamentary development is the strong rise of populism in the Netherlands. This started with the rise of the popular politician Pim Fortuyn, who was murdered in 2002. The success of Fortuyn his party is said to have affected Dutch politics in a strong matter putting new issues high on the agenda and made interaction between parties more one-dimensional (Otjes, 2011). The party eventually fell apart as a cause of internal conflict after the death of Fortuyn. However, it paved the way for a second populist politician that would gain much more international fame: Geert Wilders and his Freedom Party (PVV). He gained much momentum by focusing on anti-immigration as well as anti-EU topics, combining that with successful media performances and a socio-economic agenda considered to be relatively left (Van der Pas e.a., 2011). In that sense, the populist party can also be considered as in favour of the welfare state status quo.

Corporatist developments: '65 remains 65' and other campaigns

Dutch corporatism has been through a crisis the last years. Raising the pension age was considered a political taboo for a long time. As seen before, the financial crisis and report of the Werkgroep Gerritse changed this fundamentally by bringing the topic on the agenda. The government included the pension age in a package of policy measures to maintain sustainable public finances. However, the trade unions appeared to be completely opposed to the plan with chairman Jongerius stating 'we won't live to see this' (NOS, 2009). To prevent social unrest, the government proposed the social partners to search for alternative solutions, as long as it would result in the same budgetary advantages. An indication that is was primarily to serve as a financial reform. This process failed and on 30 September 2009 all communication was ceased. Corporatism had come to a temporary halt (Goudswaard, 2011). The trade unions joined mainly by the Socialist Party entered into a large public campaign named '65 remains 65'.

Partly because the government was planning to push through with the plans, social partners joined forces in 2010 in an utmost attempt to reach in agreement. In June 2010, this lead to an agreement on pensions (SvdA, 2010). This agreement was supposed to be a historical breakthrough in a policy field that had been locked-in for a long time. Unfortunately, it turned out to be a historical split in the Federation of Dutch Unions (FNV). Only after crisis mediation resulting in the so-called 'Agreement of Dalfsen', the trade unions decided to reorganise themselves including the exit of the majority of important individuals in the conflict (Noten & Wijffels, 2011). Not only did the trade unions not manage to influence decisions on pensions, they also nearly disintegrated in the process (De Beer, 2013). The unions took a position of strong defenders of the welfare state status quo, attempting to resist any policy change.

In 2013, by that time with a new government, the trade unions agreed on a new social pact, the first one since the 2010 pension crisis. The document proposes a whole range of necessary reforms to get the Netherlands as soon as possible through the economic crisis. Among other things, it agrees to shorten the period of unemployment benefits from 3 to 2 years. This time, the social pact did not

lead to great turmoil within the trade unions and paved the way for the government to start implementing the agreed reforms (SvdA, 2013).

Change in governing coalition

Next, we will regard the changing dynamics between these actors through changes in the governing coalition. This will be based on an analysis of secondary literature, party programmes and programmes for government. During the period 2008 - 2014, the Dutch saw three governments taking over from each other. We will give an overview of these different coalitions and analyse relevant parts of their government programs.

2007 - 2010: CDA - PvdA - CU coalition

The first government that was in office when the financial crisis broke loose, and that was actually responsible for tackling the first banking problems, was lead by the Christian Democratic party (CDA). After the first banks have been nationalised and the economy dives into recession at the start of 2009, the coalition decides to negotiate a supplementary agreement on measures to deal with the crisis, which only arises under immense pressure and nearly breaks the government (Niemantsverdriet, 2009).

This agreement is commonly known as a Keynesian demand-side investment agenda since its first bullet point mentions stimulus as the main strategy for 2009 - 2010. However, the second bullet point states that 'healthy' public finances are threatened that will have to be restored. One of the measures agreed in the package is the raising of the pension age to 67 years (Balkenende, 2009). Eventually, the government would fall caused by mutual distrust.

2010 - 2012: VVD - CDA - PVV coalition

The 2010 results lead to a construction in which the VVD and CDA would form a minority coalition. In the parliament, they were supported by the PVV in order to form a majority. In this supportive-agreement, decisions were also made about the state finances. In this agreement it is said that budgetary soundness should be of importance following the EMU-rules (VVD, CDA & PVV, 2010). In the separate agreement that was made between VVD and CDA, similar points were made on the importance of healthy public finances. Because of that, the documents states, hard austerity measures are a necessity in order to get the budget back into balance and restore the economy (VVD & CDA, 2010).

VVD	20,49% votes	31 seats
PvdA	19,63% votes	30 seats
PVV	15,45% votes	24 seats
CDA	13,61% votes	21 seats
Socialist Party	9,82% votes	15 seats
D66	6,95% votes	10 seats

Election results. Source: Kiesraad.

In 2012, it became clear that the planned budget cuts were not sufficient to bring government expenditure under the 3% EMU rule, an objective the government had clearly set for itself. New negotiations were opened to agree on a supplementary budgetary strategy covering the rest of the term. However, attempts to reach an agreement failed and on the 21st of April 2012 Prime Minister Rutte offered the resignation of his cabinet to the queen.

2012: VVD - PvdA coalition

New elections were held in September 2012. In the period before the elections, the Socialist Party was a record high up in the polls as a result of their successful opposition against the government's austerity policies. They also stated that the EMU rule of 3% maximum budgetary deficit should not be considered holy. To lesser extent, this was also the line of the labour party (PvdA, 2012). The elections were predicted to become a duel between left and right, between austerity and loose monetary policy. Labour was the left alternative to austerity and thus became the elections a battle between the liberal party and labour (De Volkskrant, 2012).

VVD	26,58% votes	41 seats
PvdA	24,84% votes	38 seats
PVV	15,45% votes	15 seats
CDA	8,51% votes	13 seats
Socialist Party	9,65% votes	15 seats
D66	8,03% votes	12 seats

Source: Kiesraad.

Even though, both parties managed to forge a coalition. Their agreement states that the financial and socio-economic policies of the government are connected in a triangle of priorities: fixing public finances, equity and sustainable growth (VVD & PvdA, 2012). In first instance that means the Netherlands will have to comply with the 3% EMU-rule, taking shape in a package of budget cuts worth of 16 billion euro. In the sections concerning social affairs and labour market policies we find the ambition to re-raise the pension age as seen before. There is also the proposal to modernise the unemployment benefits. This includes the changes made as we have seen (VVD & PvdA, 2012).

The course taken by the three governments seems to be globally the same. The last government makes more mention of equity and opportunities for all. But even so, all governments engaged in austerity measures or at least had them planned. It is only the last government that started to reform unemployment benefits, whereas the pension age was on the agenda ever since 2009.

Public Opinion

Following, an analysis will be done of the public opinion towards budget cuts and the welfare state. Following our media tracking, we have made use of three agencies that all are specialised in polling. We have chronologically ordered the most important polling data in order to get a grasp on public attitude towards budget cuts and the welfare state.

In 2009, it becomes clear that the government is undeniably planning to cut in the coming budget. Polling data shows that the areas in which these are accepted differ a lot. The title above the article publishing the results is 'don't touch the welfare state'. Healthcare, education and social affairs are named as areas in which no cuts should take place. That does not mean austerity in itself is rejected. Cuts on the royal family, integration policies and development aid are more accepted by the majority of the people (TNS NIPO, 2009).

In September 2011, when presenting the budget, the government communicates in the period before that new budget cuts will be needed over the 2012 budget. At this point, the general attitude is an understanding for cuts by a large majority of the people (77%) (EenVandaag, 2011). There is an on-going attitude in which people prefer not to see any cuts on pensions, healthcare and social affairs (EenVandaag, 2011).

The victory VVD in 2012 can also function partly as an opinion poll. The party has always propagated budgetary discipline and its victory indicates that at that point still a large part of Dutch society was in favour of this approach. Interestingly, the labour party can be considered as the opposite opinion, in favour of saving welfare provisions in budget cuts and not considering the EMU-rules as inescapable. The fact that both these parties were close to each other in the 2012 elections indicates a starting division in the public attitude.

When in the fall of 2013 the new budget was announced, it included another set of measures to cut the budget by 6 billion euro. It appears that by this time public sentiment really started to shift with almost two third of the citizens against budget cuts (de Volkskrant, 2013). Even the voters of the liberal VVD, always adversary of budgetary discipline, now started to turn against any further austere policies (EenVandaag, 2013).

Impact international policy settings

When it comes to public finances and welfare state reform, it is arguable that the most important international policy influence is the European Commission and its institutions that monitor and enforce budgetary discipline. To map this process for the Netherlands, we have first made use of a newspaper databank to see when involvement started, and second analysed policy documents published by the European Commission with regard to the Netherlands.

In September 2011, the Dutch Prime Minister came with the proposal to install a EU-commissioner that would have the task of supervising the budgetary discipline by all EU member states (NRC, 2011). The process towards this evolution is argued to have started in October 2009 when Greek financial problems became clear (Trouw, 2010).

The Dutch government was willing to deliver financial support under condition of strict policy agreements (NRC, 2010a). In total, a 3-year plan is set up containing loans worth of 110 billion euro that will be available in steps under the condition that Greece passes its reform targets (NRC, 2010b). The situation leads eventually to political resistance in the Netherlands. Mainly captained by

Geert Wilders and his PVV, dissatisfaction with lending money to Greece in times of crisis began to grow. By starting an offensive against lending money to 'lazy Greeks', Wilders quickly gained strong popularity in the polls (NRC, 3/9/2011). It is partly under this political pressure that Prime Minister Rutte plead for a 'budgetary commissioner' in Brussels.

Because Rutte was the one to push for European budgetary discipline and a connected commissioner to check it, it would be politically incredible for him to ignore that same institution when the Dutch government would be criticised a year later. In April 2012, pressure starts to rise for the government to hand in a balanced budget over 2013 (NRC, 23/4/2012).

Following those developments, the eventual EU recommendation in 2012 stressed the fact that the Dutch were on the right track, but not yet doing enough. It mentions the importance of sustaining healthy public finances by cutting expenses and tackling the deficit. It also states the importance of raising the retirement age as well as reforming labour market policies including unemployment benefits, in order to increase labour participation (European Commission, 2012). In May 2013 another recommendation followed with an additional 6 billion euro on budget cuts (European Commission, 2013).

Since these increased competences for the European Commission were partly initiated by the Dutch Prime Minister, it would be unthinkable for the Dutch not to comply with the recommendations. However, the commission was based upon the principles shared by the national government at that time. In the 2014 recommendations, the Netherlands were placed outside of supervision from Brussels (De Volkskrant, 30/5/2014).

Change in Socioeconomic conditions

In this section we will consider whether the change in socioeconomic circumstances offered the opportunity to the government to frame its actions in such a way that it is connected to these changes. From the theory we know that multiple possibilities to do so exist. Empirically, we have analysed the discourse used by the Minister of Finance in the presentations of five subsequent budgets, namely 2010 - 2014.

The presentation of the budget in fall 2009 is completely focused on the economic crisis and its developments. The minister of finance opens his speech by noticing that it has been exactly one year since the fall of Lehman brothers, the moment with the most significance for the Netherlands. Then he moves to the problem at hand:

"The hard truth is that the Netherlands are poorer at the end of the crisis than at its beginning. And also that we, just like every Dutch household when less money is being earned, have to make ends meet...All these people know that the bill has to be paid at some point. Everybody understands that we will have spent much less money in the coming years" (Bos, 2009).

In 2010, the minister of finance starts off by stating that things are going slightly better, but by far not yet good enough. 'And why is that?' he asks, following his own question by the answer: 'because we are still spending too much'. By doing so, the debate gets locked in as a debt crisis.

"The European debt crisis made clear that countries that do not repay their debts, get punished hard by the capital market: they cannot loan anymore or have to very high rent percentages" (De Jager, 2010).

In 2011, the minister of finance starts off once again by stressing the economic crisis. Over the last year, he says, the economic and financial headwind has only increased, leading to high insecurity, and nobody knows where it will end. Because of that, he states, it was a wise decision to start fixing public finances the year before. Also, for the first time in the discourse the debt gets pointed out as cause of the crisis:

"I start with the large assignment we have in our country in the field of the public finances, namely: fixing them and making them sustainable. The international debt crisis underlines the trouble that are a consequence of large deficits and high debts" (De Jager, 2011).

In 2012, the minister of finance starts by stating that the crisis that started four years ago does not seem to be willing to cave. New reforms are needed, included in those are the pension age as well as labour market reforms.

"The credit crisis and the debt crisis have hit the economy and the government finances, like on-going water hits the dikes. Fixing and enforcing those cannot be postponed. To be better equipped against a possible next shock in the economy, the government deficit has to go down and we need to reform" (De Jager, 2012).

In 2013, the minister of finance states that further reduction of the budget and reforms are necessary to make the Dutch economy healthy again. He argues that the crisis was caused by public debt:

"Our economy is suffering from vulnerabilities that were built up over a long period and became clearly visible as a consequence of the financial-economic crisis. We have financed much of our welfare growth with debts. Partly because of that, there is the necessity for citizens, companies and banks to restore their balances. This type of balance crisis leads to slower growth than expected. We experience the long-term consequences of it. The honest message in this budget is that there are no fast, painless solutions" (Dijsselbloem, 2013).

Concluding

From the beginning of the crisis, different governments chose austerity and budget cuts as the way to restore public finances and protect the 'house of the Dutch economy' against the storm that was raging outside. Decreasing the government debt and its budgetary deficit are considered the best measures to guide the country through the crisis. It also has to be noted that the ministers never speak of an economic crisis, but consequent use the term debt crisis. In a later stage, the high debts and deficit are in fact framed as the causes of the crisis, making austere policies the logical choice towards recovery.

Blame avoidance

Blame avoidance was to be observed through three strategies: justification, delegations and switch of policies. In our methodology, we decided to analyse blame avoidance after having collected all empirical data during the previous variables.

The Dutch presentation of reforms fits in a broad context of measures to battle the dangers that the credit/debt crisis is causing. All actions taken by the government are framed as necessary to protect the Dutch economy against further financial turmoil. In that sense, we can state that the presentation of measures partly uses this context to justify the choices that are made. Following our definition, this is a part of blame avoidance by the government. However, their narrative does not include arguments stating that these are bad choices. In the end, all choices made now are for a better and stronger Holland.

It appears that no real switch in policy targets have taken place as a strategy of blame avoidance. For the pension age as well as the unemployment benefits, policy processes have been through a relatively linear path. This strategy of blame avoidance did not take place.

No proof has either been found for the delegation of measures to other agencies concerning welfare state reform. The only example close to it is the fact that all observed change eventually were agreed in social pacts with trade unions and employer organisations. This created a situation in which multiple actors carry the responsibility, and the government could not be attacked by the trade unions over it. However, no agencies are involved and the government carries out all reforms.

Concluding

In this section we have assessed the process that The Netherlands has been through during the period 2008 - 2014. Contrary to Ireland, the Dutch crisis arrived more in the shape of a pancake landing than an immediate crash. This gave the Dutch government the possibility to first respond with a number of moderate stimulus measures. Eventually we have seen that in our welfare state indicators a number of changes have occurred. We have seen the presence of multiple status-quo oriented actors like the labour party, the socialist party and the populist party. However, a change in governing coalition did not change the eventual course of austerity.

Analysis

In our analysis we will attempt to put the pieces of this academic puzzle together, by considering the independent, dependent and systemic variables that we selected and put the observed dynamics between the three in the theoretical perspective that we have designed at the start of our research. This means that we will consider the effect of the economic crisis on different type of welfare states. The process linking these two is our systemic variable, which will be discussed towards the end of the analysis.

The economic crisis

From the theoretical perspective, we have learned that a broad section of the academic debate focuses on economic circumstances and welfare state change. This neo-functionalist approach puts forward the relationship between a high socioeconomic problem pressure and a welfare policy response as the central causal concept. Busch (2010) expected a possible relationship between fiscal pressure and welfare reform since social expenditure might rise strongly as cause of a crisis, while revenues start to drop and Vis e.a. (2011) argue that an upcoming austere phase as response to fiscal pressures might have consequences for welfare state arrangements.

When analysing the macroeconomic data for Ireland as well as the Netherlands, a number of observations can be made. First of all, the courses that both crises took are of a different character. The Irish case can be considered as a real nose-dive. This was caused by the fact that upon the arrival of the financial turmoil, a large property bubble broke. The Dutch crisis experience was more of a so-called pancake landing. Housing prices did slowly drop as well, but not with a crash like in Ireland and thus did the size and shape of the crisis more or less showed itself step by step.

The second observation is that for both countries we have seen a massive rise in unemployment and severe drops in economic growth, resulting in multiple recessions. We saw Irish unemployment rising from 5% of the workforce to a peak of 15,1% in 2012, after which it started falling to 11,9 in 2014. Dutch unemployment started to rise later, but does not seem to have reached its peak yet, with 3,2% in 2008 growing up to 7,1% in 2014. Relatively, when comparing the 2008 - 2014 numbers, both countries are now roughly at 2,5 times their pre-crisis unemployment rate. The Irish GDP growth was average at -1,3 per cent over the period 2008 - 2013. For the Netherlands, these numbers were a bit better with an average of -0,125 per cent over the same period of time.

These economic conditions have indeed lead to a rise of social expenditure levels for both countries. Irish social expenditure levels are around 17% of GDP over 2007, before the crisis started. From 2008 onward, they quickly rise to a record high 24% in 2010. After that peak, a slow decrease takes place bringing it back to 21% of GDP over 2013. For the Netherlands, social expenditure levels rose from

a pre-crisis level of under 21% to 24,3% over 2013, and still rising. By doing so, they approach the record high levels of the 1980s.

Concluding, when considering the severity of the economic turmoil rushing through Ireland and the Netherlands during the period 2008 - 2014, we ascertain that both countries experienced a significant level of crisis. Especially following the neo-functionalist debate - which mentions unemployment rates, low economic growth and rising social expenditure as leading to fiscal pressure - we observe that the two states checked all these boxes. Therefore, all the prerequisites appear to be present that support the neo-functionalist 'problem pressure hypothesis'.

Welfare state change

The foundation of the welfare state puzzle piece is primarily based on the theoretical framework built by Esping-Andersen (1989). We have seen that for him, two different axes are important on which welfare states can score. These are the extent to which they contribute to de-commodification and social stratification. The first concept indicates the extent to which a regime empowers citizens in their position vis-a-vis the market, e.g. how much a welfare state succeeds to disconnect the direct link between market and welfare. The latter indicates the extent to which the regime manages to liberate citizens from a class position. For this research, most important is the fact whether it is an individual or collectively organised welfare state and whether it is characterised by a high level of generosity. This is an essential factor since the hypothesis formulated by Esping-Andersen (1989) states that generous welfare states create more citizen loyalty towards the programme than liberal ones do, thus making it more difficult to retrench them.

Ireland combines its welfare state with an economic growth model that is based upon a high level of competitiveness through low taxes and low labour costs. This model is designed to attract foreign capital and thus maintain FDI lead growth. In this liberal context, old-age pensions as well as unemployment benefits were adapted. The eligibility age for state pensions was raised quickly from 65 to 66 in 2014, 67 in 2021 and 68 in 2028. This debate had already started before 2008, but the proposals done at that point were less radical than the eventual bill that was passed. Cash benefits were frozen during the period with monthly amounts remaining at the 2008 level. Unemployment benefits were adapted as well through the reduction of the benefit period from 12 to 9 months, or 9 to 6 months depending on the amount of contributions paid. A reduction in the monthly cash benefits also occurred, even stronger for youngsters.

The Dutch changes happened in the context of a more extended and generous welfare state coming from many years of social policy development, a process that really took off after the Second World War. In the 1970s, Dutch economic growth started to slow down and appeared to enter a period of stagnation that appeared difficult to turn. Out of this situation, the political-economic context of corporatism was born when social partners agreed on wage moderation in the

1980s. During the period 2008 - 2014, both welfare state indicators saw a number of changes. A bill was passed on old-age pensions, raising the eligibility age from 65 to 66 in 2020, with the perspective of raising it to 67 in 2025. A new proposal is currently on the table making this reform radically faster by 66 in 2018 and 67 in 2021. Cash benefits were indexed staying slightly above inflation levels. A number of reforms passed on the unemployment benefits. Cash benefits remained at the same level. However, the maximum period of reception was reduced from 3 to 2 years, and the pace with which benefit rights can be built up was reduced.

Thus both cases saw a number of changes in their welfare state indicators. However, when comparing the relative change, regardless of the basis level of generosity, it appears that the Irish case shows more adaptations than the Dutch one does. First of all, both countries raised the pension age, with the Irish government doing it more radically than the Dutch government. Also, while Dutch pension benefits were indexed above inflation levels, the Irish ones were frozen during the whole period remaining at the same inflation level. Both countries reduced the maximum period of unemployment benefits with a quarter to one third of the total time. However, whereas Dutch benefit levels remained the same, Irish benefit levels were cut.

For all these measures, it can be argued that they reduce the de-commodification and stratification effects of social policy arrangements. All reforms appear to aim at making programs shorter or smaller, reducing the levels of spending. By doing so, they make citizens involved in these programs more dependent on the market. At the same time, it strengthens the different capabilities of social classes. In this sense, both countries move back on the axes of Esping-Andersen. The Irish only moved more on that axe than the Dutch did. When we analyse the extent of policy change that occurred following the definitions by Hall (1993), we have to note that they are mainly setting changes. No real instrumental and/or goal change seem to have taken place. That does not mean however these setting changes were not of a drastic nature.

Policy Change

At this point, we have observed that both countries experienced a severe economic crisis. We have also noticed how both countries, to different extents, implemented a number of changes in their welfare state arrangements. In our theoretical framework, we designed a broad perspective on the mechanisms through which the independent variable of the economic crisis can be linked to our dependent variable of welfare state change. This systemic variable is comprised of different parts analysing the dynamics between change-oriented actors and status quo oriented actors.

Advocacy coalition: relevant actors

The Irish political arena is described as a bicameral two-and-a-half party system. With this description, the dominance of the two main parties Fianna Fail and Fine Gael is pointed out, only partly supplemented by the presence of the Irish

labour party. Both parties are considered centre-conservatives with little difference in policy preferences. Fianna Fail has been in office for most of the years, only replaced by Fine Gael on a number of occasions. Since both parties are centre-conservatives, none of them are natural defenders of the welfare state. Only the labour party, the 'half party', is more leftist and socially oriented. When considering according to the matrix of Boin e.a. (2009), we can categorise Irish labour as moderate and trying to contain policy change. The Irish political economy was characterised by a long period of corporatism in which trade unions made social pacts with the government. However, when the trade unions resisted in 2009 to austerity proposals by the government, the negotiations collapsed and the government carried on their plans anyway. Opposed to labour, the trade unions were resisting policy change actors, leading to a collapse.

The Dutch political landscape differs partly from the Irish case. The similarity is to be found in the presence of a bicameral system. The difference is the fact that the Netherlands are far more a multiparty system. A variety of parties take seat in parliament and three classical parties formerly dominated the system: the Christian democrats, liberals and labour. However, over the last decennium at least three more parties have started to take dominant roles: the liberal party D66, the Socialist Party and the populist Freedom Party. The labour party is at the left side of the political spectre, and with that a defender of the welfare state and its status-quo. Labour is supplemented by the Socialist Party at the far-left of the spectrum, a more radical defender of the welfare state. To a lesser extent, the Freedom Party also has a left socioeconomic agenda and with that is also in favour of the status-quo. When considering them according to the matrix of Boin e.a. (2009), we can categorise the Socialist Party and populists as resistant to policy change, whereas labour more categorises as a party that attempts to contain policy change. As in Ireland, the Dutch trade unions were completely opposed to change when the pension debate first started. However, they were not able to hold this position and almost imploded while the government was pushing through its plans. After that, the trade unions came around and agreed to a compromise. This has turned them from change-resistant to change-containing actors. There is a remarkable similarity in the consequences of a change-resistant attitude by the trade unions in both cases.

When comparing the overview of the political landscape and its actors, it is noticeable that the situation in the Netherlands is categorised by a higher density of welfare state status quo oriented actors than is the case for Ireland. An observation that fits with the loyalty-hypothesis by Esping-Andersen. In Ireland only the labour party is present as defender of the status quo, whether for the Netherlands this is the case for labour, the Socialist Party and the Freedom Party. Also, the position of the trade unions seems to be relatively weak when the going gets tough. Both countries show collapsing social pacts with governments able to push through their plans. A change resistant attitude seems to have been impossible under the pressure of the crisis in both countries.

Change in governing coalition

For both countries we have discussed a number of important changes in the governing coalition over the period 2008 - 2014. These came out of early elections caused by the break up of previous coalitions. The 2011 landslide elections in Ireland were one of the most volatile in the European post-war period. Fianna Fail had been in office for 14 years in a row, and now took a huge electoral blow with Fine Gael and Labour passing it by. In 2007, the party had still won the elections with ease. However, its coalition with the Green Party ended by the end of 2010 on negative terms in the midst of the crisis and negotiations with the Trojka for financial support. After the elections in 2011, Fine Gael and Labour came to an agreement on a joint programme for government. For our theoretical perspective on these changes, it is important to note that an actor presumably in favour of the welfare state status quo enters the government in 2011. However, even with the presence of Labour, the government programme does not make any mention of restoring or maintaining pension arrangements or unemployment benefits and changing the course chosen by the Fianna Fail government. Thus even though elections seemed to be realigning (Sabatier, 1998), in terms of policy direction they seem to have had limited effect on our indicators.

Regarding the Dutch situation, parliamentary elections took place in 2007, 1,5 year before the outbreak of the crisis. The Christian Democrats won the elections while Labour came in second. When the magnitude of the financial and economic trouble appeared greater than foreseen, the coalition partners negotiated a supplementary agreement in 2009. One of the proposals to achieve healthy public finances is by raising the state pension age. It is thus interesting to note that this already happens in a coalition including Labour. In 2010 new elections were held. A coalition was forged between the Liberals and the Christian Democrats, supported by the populist Freedom Party. With Labour out of the government, it lost partly an actor in favour of the welfare state, even though the Freedom Party is considered to be that as well to a lesser extent. The coalition programmes propose a range of austerity measures in order to cut spending and ensure healthy public finances. Again, raising the pension age is proposed. No remarks are made regarding the unemployment benefits. In 2012 new elections were held and the liberals managed to consolidate their position. An unlikely coalition was formed between the liberal party and Labour. The government programme mentions healthy public finances, equity and sustainable growth as the three most important points. Regarding the first, it means the EMU rule of 3% maximum budget deficit has to be respected. In the government programme, we also read for the first time about plans to modernise the unemployment benefits.

When regarding both our cases, we observe that some of the changes in the governing coalition are of a theoretical realigning nature. For both countries, labour has entered - or re-entered - the government during the crisis. From the theory we expect these to be actors that would resist policy change concerning the welfare state. However, when analysing the different government programmes this appears not to be the case. Both indicators change, or are proposed to change, by coalitions in which Labour participates. It also has to be

noted that for both countries, regardless of the coalition formation, healthy public finances play a central role. Thus at most, these actors in favour of the welfare status quo have taken a position of containing policy change, rather than resisting it, leading to incremental change.

Public opinion

Irish public opinion on austerity and welfare provisions has changed through time. However, in general the Irish did never strongly resist this line of policy. In 2011, six months after the elections, almost a year after the emergency package was negotiated with the Trojka and in the midst of the economic crisis, support for the newly elected coalition was still as high as six months before. The poll shows that voters of Fine Gael, the winner of the elections, still believed that austerity was the way to prosperity. In 2012, the Irish government put the ratification of the new Fiscal and Stabilisation pact to a vote through a referendum. The pact includes enforcement of the 3% EMU rule and a general attitude of financial frugality with foreseeable consequences for the Irish in their situation at the time. A majority of 60,3% voted in favour of the pact. It seems however that support by the public has slowly been decreasing thereafter. By the end of 2013, even though it should be approached with caution, an opinion poll indicates that a majority of the people is getting resistant to cuts. The same tendency is expressed by words of the Minister of Finance on presenting the budget late 2013.

For the Netherlands, the public attitude is slightly different at the beginning of the crisis. When it becomes clear in 2009 that cuts are necessary, polling data shows that a majority of the people is not opposed these measures, but it strongly depends on the area in which it takes place. Whereas a majority accepts the royal family, integration and development aid as topics, the welfare state is considered to be a no-go area. In 2012, there is still a large understanding by the public for the necessity of cuts. This appears as well through the victory of the liberal party with the elections, since they have been preaching fiscal consolidation. However, their *tête a tête* with Labour - an actor in favour of less cuts and preserving public services - shows public discomfort with policies was growing. Over the course of 2013, this starts to manifest itself in the decreasing popularity of both parties, with especially labour getting whipped in the polls. A public opinion poll in late 2013 shows that two thirds of the people are now against further cuts, including voters of the liberal party, the faithful adversaries of fiscal prudence.

Again, we witness a number of differences and similarities between our two cases. For both countries, it has to be noted that a general acceptance of austere policy measures was present from the beginning of the crisis. Both cases also show a form of 'austerity fatigue' as The Economist called it. Towards the end of 2013, public discomfort with further cuts seems to have reached its peak. The cases differ to the extent that the Dutch public would not accept cuts in any given area, and has a strong preference not to touch the welfare state. For the Irish case, we find no evidence for a similar attitude. This difference of attitude does fit with the hypothesis of Esping-Andersen, which leads us to expect a greater loyalty towards welfare provisions by Dutch citizens, in comparison to the Irish.

Impact other subsystems

A strong role is played by international policy subsystems in the course of the crisis for both countries. For Ireland, this system is comprised of the interplay between the European Commission, the European Central Bank and the International Monetary Fund: the Trojka. For the Netherlands, it is only the European Commission that plays an important role. This subsystem started to intervene from the moment that the Irish government commenced negotiations on an emergency package giving financial support to Ireland. The 67 billion euro of total support was accompanied by an arrangement of strict policy conditionality. Included in these policy prescriptions were the reform and modernisation of unemployment benefits to increase an incentive to exit unemployment as well as the raising of the state pension retirement age. In this sense, the package really institutionalised a specific approach to solving the crisis by decreasing expenditure and reforming social programs. It is important to note that the agreement was negotiated in late 2010, at a point where cutting social expenditure and raising the pension age had already been on the agenda.

For the Netherlands, the Trojka did not play that much of a role. The central actor of influence was the European Commission itself. Especially after the increase of competences in 2011, the EC made a number of policy recommendations for the Netherlands in order to respect the 3% EMU rule. Even though these are not binding, they have to be seen in the context in which these new competences were a strong wish of the Dutch prime minister. Thus, not respecting them would be politically sensitive. However, the influence on the policy agenda in particular can be considered much smaller than the Irish case. The influence to respect the EMU rule has been large. In its policy recommendations, the commission does mention that raising the retirement is of importance as well as modernising unemployment benefits, partly under the same arguments as for Ireland. However, for the Netherlands goes as well that many policy choices were made before that moment in 2011.

The European subsystem has played an important role in institutionalising policy solutions. This holds truer for the Irish than the Dutch case. It is important to observe that both countries already made a number of choices before concrete involvement of subsystems. These choices are to cut expenditure as well as the consequences of this for the pension age. The subsystem however locked in these choices and might have offered the opportunity to expand this policy direction. In the conditionality in the Irish case, as well as the recommendations for the Netherlands, actual proposals are made to reform unemployment benefits and raise the pension age. It indicates that within the subsystem, a clear policy agenda is present that was carried by both countries. We thus also find indications that the remarks of Hemerijck, concerning the EU as policy broker, will need more future attention.

Change socioeconomic conditions

For both countries, we have assessed to which extent the economic crisis played a role in the discourse used by the government. To do so, we analysed the speeches given upon presenting the budget. As we argued above, the EU-IMF

deal forced Ireland to cut heavily its expenditure, including social programs. However, from our discourse analysis it becomes clear that even before that point the cause of the crisis was framed as endogenous, blaming previous policy choices. We observed how the loss of competitiveness was connected to rising expenditure and the crisis. The government put a strong focus on framing the crisis as a sign of lost competitiveness for Ireland, the country of business. The government also explains the recent upturn from 2012 onward as an increased international confidence in Ireland caused by the reduction of the public debt.

Our analysis for the Netherlands shows more or less the same trend. First of all, every budget that passed parliament in the period 2008 - 2009 has had a central focus on the economic crisis. All ministers of finance express the hard economic times and subsequent measures that have to be taken. With these measures it is meant that public spending has to be brought down. A strong connection is made to the situation of citizens by creating analogies between the government finances and household incomes. Also in the Netherlands we see an attempt to frame the causality endogenous. One of the most fundamental examples is the choice to consequently talk about a debt crisis, instead of a financial or economic crisis. Cutting expenditure is framed as measures that 'strengthen the dikes'. There are also warnings that countries with high debts get 'punished' by the financial markets through high interest rates. In 2011 the minister even mentions that the crisis is the cause of high debts.

For Ireland and the Netherlands, the crisis formed a subject that governments used to the full extent in their discourse. All speeches are completely directed at 'how to solve the crisis'. When we consider de framing-matrix that was designed by Boin e.a. (2009), we witness clear attempts by both governments to frame the causality of the crisis as an endogenous phenomena, in which high government debts play an important role. As seen from the theory, an endogenous causality implies that policy solutions are also endogenous. It puts the causes and solutions to the problem at hand within the span of the world. An interesting difference is the role that is played by the political-economic context in Ireland with its previous success-formula of low taxes and high investments, whereas this is much less the case for the Netherlands. Again this seems to come from the Anglo-Saxon character of the country.

Blame avoidance

Lastly, we have considered the level of blame avoidance applied by both governments in dodging responsibility for their choices. We have seen that both governments create a strong narrative in justifying the choices they are faced with in order to repair the damage done by the economic turmoil. Both of them make an explicit link between government finances and household economics in which the government has to make ends meet, just like every family. They also state that the situation is severe, and thus everybody will have to pay a price in order to get over it. But, that they are good measures that will eventually lead to a better situation. In that sense, governments do not reject the policy solutions.

In both cases, actual delegation or switch of policies did not take place. Therefore, it seems like the strong discourse that we have witnessed is the only blame avoidance that is taking place.

Concluding

We are now at the point where all pieces of our puzzle are slowly starting to fall together. The combination of our theoretical perspectives, their connected hypothesis and the empirical data from the case studies are step-by-step merging into something with meaning. Because we have discussed a range of theories, variables and indicators, we have put them in the following table in order to take the reader by the hand through the meaning of our findings. The table does not reflect a precise scale, but serves more to reflect the relative differences and similarities between the cases.

Variable	Netherlands	Ireland
Welfare state change	+	++
Economic Crisis	++	++
Policy Change:		
Advocacy coalition: Presence of status quo actors.	++	+
Change in government: Welfare status quo enters government.	++	++
Public Opinion: Supportive of welfare state status quo.	++	+
Change in socioeconomic: use to frame changes.	++	++
Impact other systems: Change-influence by subsystems.	+	++
Blame avoidance	+	+

Again, it is a story of a number of expected differences and surprising similarities. As we have seen by now, the differences can be found in (1) the level of welfare state change, (2) the number of welfare state status quo oriented actors, (3) the extent to which public opinion protects the welfare state and (4) the influence from other subsystems. The similarities are to be found in the changing governing coalition and the use of the crisis to create a political frame. A highly important observation is that, even though it is to different extents, both countries show welfare state change through less de-commodifying programs. These adaptations are setting-changes; programs remain existent, but show retrenching measures nonetheless.

To start off with this last observation: it leads us to the conclusion that there is strong evidence to be found for a connection between the two variables through

our system variable. When considering the analysis, everything points out that the economic crisis has led to an increase in fiscal pressure for both countries. In turn, this pressure was followed by a response of budget cuts in order to bring down public expenditure in general, and rising social expenditure in particular. The Dutch pension debate is a strong example of this mechanism in which raising the pension age was considered a political taboo up until 2008. However, once the crisis started it ended high up the agenda with union resistance even failing. The neo-functionalist hypothesis explains and predicted this connection through a government searching to relieve fiscal pressure. It thus seems that under an economic crisis as the current one, in which a turn to austerity took place and the debate got cognitively locked, welfare states respond with retrenchment, regardless whether they are rather generous like the Dutch welfare state, or the opposite as the Irish case.

Even though it seems to explain the main causal mechanism for occurring welfare state change, the neo-functionalist hypothesis is less powerful when it comes to explaining the different levels of change between the two countries. Because even though they both show the same pattern, it occurs to different extents. It is here that we have to lean more on the arguments laid out for us by Esping-Andersen in this research and acknowledge the influence of the different political-economic characteristics of both countries, and the way in which these can be linked to our different external perturbations. When we take this in account as an influence of second order so to speak, we can respect the differences in policy change dynamics and variables that we have observed.

The Netherlands are characterised by the presence of more welfare state status-quo oriented actors and as well as a public opinion that stated 'don't touch the welfare state', pointing out a relative popularity of the welfare state in comparison to Ireland. Thus, this popularity leads to a different score on a number of external perturbations. Putting less pressure on policy change. In the Irish political-economic context we saw that a strong role is played by the Anglo-Saxon/Irish economic model based on international competitiveness through low labour costs and low taxes. It is therefore explainable through the hypothesis of Esping-Andersen that the eventual level of our dependent variable - welfare state retrenchment - differs in the Netherlands from Ireland. For the latter case, the welfare state has less loyalty, expressed through less status quo actors and smaller popularity in public opinion.

The influence of other subsystems should neither be underestimated. However, in this case an important question is how these dynamics compare with already existent concepts and ideas. For the role played by the European Commission it has to be noted that those seemed to be pre-existent. The emergency package negotiated by the Irish government with the Trojka locked-in specific policy conditionality, but that did not seem to differ much from the path already chosen. The same goes for the Dutch situation in which the tasks executed by the European Commission were actually a wish of the Dutch government, and the country had already taken that path before the commission's new competences in late 2011. In general, there is a large overlap between the Irish, Dutch and European Commission agenda and discourse.

The influence of political factors, and combined with that the New Politics thesis captained by Pierson (1994), deserve a critical review. First of all, we have noted that for both cases a critical change in the governing coalition took place with Labour parties joining the government. It thus appears that this development did not stop the path of welfare state retrenchment that took place. According to the classification of Boin and 't Hart, we can state that they took a position of 'containing policy change', leading to an eventual result of incremental change. It strengthens the dominance of the neo-functionalist thesis that they were not able to resist policy change and explains why we have only seen settings-change.

According to Pierson, the ideological background of politicians is less important because in general the goals (to be re-elected) and context (civil society groups protecting social arrangements) of politicians and policy-makers do not allow for welfare state retrenchment. If that is true, why do we witness welfare state retrenchment by labour governments with seemingly large negative electoral consequences? And concerning the context, why did the trade unions in both countries failed in their resistance? And why did no other groups stand up? These are questions at the end of the research that remain unanswered by Pierson his New Politics approach and can be answered better through a 'problem pressure' hypothesis.

Summarising, this research has shown how a high economic problem pressure created a situation that is believed to need change. In this process, the mechanism between fiscal pressure and public expenditure took a leading role. This is expressed through the fact that both countries have responded with retrenchment. Complementary to that mechanism, the different political-economic contexts have been of influence on the perturbations, and thus on the extent of this change following the thesis formulated by Esping-Andersen, therefore being an influence of second order. We have also seen that political factors and the New Politics approach of Pierson hold low explanatory strength. The role of both labour parties can be classified as actors 'containing policy change', therefore leading eventually to more incremental change at most. This is reflected in the orders of welfare state change, classified as *settings change*.

As we have seen Huber and Stephens (2001) argue before, in the case of high unemployment and severe negative GDP growth, welfare state retrenchment can become static to political factors. Mark Blythe has brought forward the same argument, stating that in a moment of severe crisis, a dominant idea can overrule institutional and political factors (Blythe, 2001; 2003). It is exactly this process that has seemed to become clear through our case studies. As Hemerijck argues in the theoretical framework of this thesis, a lack of knowledge about the influence of ideas on policy choices made by important actors is problematic. Both governments, as well as the influential subsystems share the belief of a turn to austerity as the solution for fiscal pressure. This idea was thus more powerful than political and institutional characteristics of each system.

The importance of this idea can hardly be underestimated, even in a broader academic debate. We have considered the neo-functionalist causality - crisis ->

fiscal pressure -> welfare state retrenchment - as the main explanatory force for the observed welfare state responses to the economic crisis, holding different political-economic dynamics under its umbrella. But when we attempt to disconnect 'problem and solution' within this hypothesis, new questions present themselves. In that case, we see that the hypothesis also holds a number of assumptions about the meaning of fiscal deficit, public debt and in which way they should be dealt with. It is the power of this idea that we have seen through the analysis of our case studies leading to large budget cuts. Where does it come from? Whose interests are served and are alternative ideas suppressed? For future studies assessing developments during the period 2008 - 2014, these questions should play a central role.

Concluding

September 2008 will remain a month written down in history books. It was here that a period of financial and economic turmoil started, unprecedented in the post-war period. Millions of people lost their job, thousands of enterprises filed for bankruptcy, and the unthinkable became thinkable: countries came on the verge of financial collapse. Parallels have been drawn between the severity of the 2008 crisis and the Great Depression of the 1930s. However, the images we have of this latter famous period do not seem to correspond with the pictures we see nowadays. Especially European countries did not see the massive reflections of poverty, deprivation and people in line for food stamps. The difference between the nosedive of the 1930s, and the 2008 pancake landing can be partly explained through the presence of more extensive social policies.

After the Second World War, the construction of the welfare state took off. Programmes were constructed that would protect people from falling into poverty in case of unemployment. These arrangements made sure that when the thunder started in 2008, people were protected from deprivation and a certain level of demand was sustained, keeping the economy running. However, that same welfare state has been under pressure since the end of the 1970s. With the oil crisis, the crash of the Bretton Woods system and the elections of Ronald Reagan and Margaret Thatcher, a new discourse made its way into politics. This neoliberal ideology was - bluntly put - in favour of less government and more market. Thus, throughout the years, perceptions concerning the role of the state, the market and the position of the welfare state changed.

Considering the above, we have set out on an investigation to assess the role of the welfare state during the economic crisis, and which direction it has taken into the future. As one of the leading welfare state scholars, Esping-Andersen has designed a classification for different welfare state typologies. He scored them on the axes of *de-commodification* and *stratification*. By doing so, he identified three different welfare state types: a liberal, a social democratic and a corporatist type. The first one is characterised by a high level of individuality, whereas the latter two are more collectively organised types. With this classification, he formulated the hypothesis that it would be easier to retrench liberal welfare states, since they create less public loyalty than the more extensive social democratic and corporatist types do.

A second broadly shared hypothesis in the debate of welfare state change is what we call the neo-functional tradition. In this hypothesis, a main connection is expected between macroeconomic factors and welfare state development. Especially high unemployment and negative GDP growth are distinguished as important factors. The macroeconomic circumstances are believed to lead to high levels of fiscal pressure and high social expenditure. Governments faced with such situations will reduce the size of welfare state arrangements in order to reduce spending. In this line of argumentation, the economic 'problem pressure' will thus lead to a policy response, regardless of other political or institutional features. The latter become static when the problem pressure is high enough.

The third theoretical line that we included in our theoretical pallet is the New Politics approach. Constructed by Paul Pierson, the hypothesis expects welfare state retrenchment hardly to occur. The reason for this rigidity is two-fold. First of all, the *goals* of politicians and policy-makers do not align with the consequences involved in welfare state retrenchment. With this, he means that the large negative electoral consequences associated with welfare state retrenchment cause politicians to avoid the subject. Second, this takes place in a *context* that makes it very difficult to achieve it. The presence of civil society groups that protect specific parts of the welfare state is seen as a major obstacle.

The fourth and last line or arguments discussed is the so-called ideational approach. We have discussed the arguments of Hemerijck in the theoretical framework, stating that the cognitive and normative reorientation of politicians and policy-makers deserves more attention. Which conceptions and perspectives are dominant, and when and how are they challenged? The role that ideas can play, how they rotate in the world and why they are selected is an aspect that deserves more attention.

In order to increase the validity of the research, an extra layer of exploration was needed to connect the independent (crisis) and dependent (welfare state) variable. In order to do so, we designed our systemic variable 'policy change', leaning partly on the Advocacy Coalition Framework and the external perturbations leading to policy change identified by it: presence of advocacy coalitions, change in coalition government, public opinion, change in socioeconomic conditions and use of blame avoidance.

Having laid down all the theoretical foundations needed to assess the previously formulated problems, we are able to formulate two research questions. An empirical as well as a more theoretical question seems relevant. First of all, *how did different welfare state types respond to the 2008 economic crisis?* And second, *did an external shock lead to policy change?*

In order to accurately answer these questions, we have decided to work with a qualitative comparative case study. A number of arguments justify these choices. First of all, in terms of validity, a quantitative approach in such a welfare state study risks a number of blind spots. This has to do with the fact that quantitating welfare state change leans on public expenditure, but that does not tell us directly something about changes in social policies in itself. Second, most arrangements within the welfare state contain of an *eligibility* and a *benefit* component. Both of which tell us something about the de-commodifying and stratification effects of the program. Third, it would be very difficult to respect a systemic variable of policy change through a quantitative analysis. The selection of cases was based upon two criteria: the countries must have severely experienced the economic crisis and be of different welfare state types. Eventually the choice was made to assess Ireland and the Netherlands.

At the same time, we have to critically reflect on our chosen methods and acknowledge that it also creates an empirical vulnerability. The difficult part in

conducting case studies is to reach high levels of reliability; this is partly caused by the complex nature of the processes that the research considers, as well as the relatively limited means available in its conduct. Since the information is not available through a single data source, critical questions can be asked concerning the level of repeatability. We admit that this is a point of vulnerability in this paper. However, the empirical assessment has been connected to a clear theoretical framework, abstracting a number of variables that have been clearly formulated and discussed. On repeating this research one might partly use other pieces of information, expert interview for example, but will arrive at the same outcome if all variables have been answered securely.

A second critical remark that has to be made concerns the moment in time at which this research has been conducted. The smoke of the crisis has hardly pulled away. Many things still can happen, processes are running and in general it is difficult to give an overview of the impact it has made. It is for this reason that this research indicates a direction that processes have taken. Of course, these can take a new turn later in time. The last critical aspect of the research design follows from the choice of selecting two case studies with the same independent variable. Ideally, one would have wanted to assess at least one or two more cases that experienced no real economic crisis. However, out of a perspective of feasibility, this was not a realistic approach. Partly in order to tackle this problem, we designed the extensive systemic variable to enforce our proof of causality. However, notwithstanding the needed and justified critical reflections, this research is able to make a meaningful empirical and theoretical contribution. When assessing the events that occurred up until now and which directions have been chosen by policy-makers and politicians, a number of conclusions can be drawn with relative certainty. On top of that, there are a number of theoretical reflections coming forth out of this paper that should be taken into serious consideration for future research.

Both countries experienced unprecedented high levels of crisis. Whereas the Irish crisis arrived with a crash, the Netherlands saw more of a pancake landing. However, the relative changes in unemployment rates and GDP growth levels are unique for the post-war period. We saw Irish unemployment rising from 5% of the workforce to a peak of 15,1% in 2012, after which it decreased to 11,9 in 2014. Dutch unemployment started to rise later, but does not seem to have reached its peak yet, with 3,2% in 2008 growing up to 7,1% in 2014. Relatively, when comparing the 2008 - 2014 numbers, both countries are now roughly at 2,5 times their pre-crisis unemployment rate. Irish GDP growth was average at -1,3 per cent over the period 2008 - 2013. For the Netherlands, these numbers were slightly better with an average of -0,125 per cent over the same period of time. These levels of crisis seem to fit with the conditions discussed in the neo-functional hypothesis.

In our case study it became clear that Irish policy processes take place in the context of an Anglo-Saxon political economic model, with a strong reliance on low taxes and FDI to ensure economic growth. It is within this model that welfare state arrangements take on liberal characteristics with high reliance on individual schemes and low de-commodifying effects. For the Netherlands, we

are dealing with a more generous welfare state, standing in a corporatist tradition and a more varied economic model. Thus, when following the classifications of Esping-Andersen, we are dealing with an individually organised meagre welfare state, and a collectively organised generous welfare state.

Over the period the period 2008 - 2014, both welfare states underwent a number of changes. We witnessed changes in eligibility criteria, cash benefits or both. On the scale of policy change, these have the characteristics of *setting changes*. We did not see entire programs be scrapped or reformed, but rather see their settings get decreased. In general, for both countries the choices that were made show many similarities. The state pension retirement age was raised, slightly faster in Ireland than the Netherlands. For the former, indexation of the pension benefit was frozen during the entire period. Both countries reduced the maximum period of unemployment benefits with a quarter to one third of the total time. However, whereas Dutch benefit levels remained the same, Irish benefit levels were cut. In general, following the classification of Esping-Andersen, commodification and stratification increase, leading to an effect of retrenchment: the scope and effect of the welfare state is decreasing.

The empirical data collected in this research enables us to assess developments through the lenses of our four theoretical building blocks that we have formulated from the beginning of the research. It also offers the possibility to analyse the explanatory value each block holds in our cases. The independent and dependent variable move in a direction that implies a correlation. From our assessment of policy change processes in the case studies, we can say with relatively certainty that this is true. Both countries show a number of surprising similarities in the choices that have been made. The case studies lead us to evidence that a strong causal mechanism exists between the economic crisis, fiscal pressure and choices to cut expenditure on the welfare state. In that sense, we find evidence for strong explanatory strength of the neo-functionalist hypothesis. In Ireland as well as the Netherlands, the economic crisis had led to a situation of fiscal pressure. The solution to this situation was found in bringing down (social) expenditure. These remarkable similarities bring forward new questions about neo-functional expectations concerning economic integration and policy conversion.

However, an important aspect is the fact that different degrees of policy change occurred. In general, we can state that the level of change in Ireland was higher than was the case for the Netherlands. From our different systemic variables, we find evidence for the hypothesis that the popularity of the welfare state is higher in the Netherlands. This is expressed in different scores on external perturbations: a higher presence of change-resistant actors and public opinion being supportive of the welfare state. The hypothesis of Esping-Andersen seems to hold some ground that generous and more developed welfare states create more loyalty, making it harder to retrench them. These dynamics should be respected in explaining the different levels of change. In that sense, the neo-functionalist hypothesis shapes the main explanatory umbrella, under which the influence of the political-economic context influenced the different extents of change.

Even though Esping-Andersen his theory holds some explanatory strength, concerning the resilience of developed welfare states, the basic observation is occurring change. This change is incremental in the sense that we observe *setting* change, but relatively radical in the settings that get adapted. Following from that, the New Politics approach of Pierson does not seem to hold much value in this research, with many of its predictions finding conflicting empirical data. The basic conclusion is that under these circumstances, barriers in *goals* and *context* get overthrown, making policy change possible. In general, political factors seem to have become rather static during the process. Of course, defenders of the New Politics approach could still argue that real reforms remain absent. In that case, it would be a maltreatment of the obvious policy dynamics observed in this research.

How did different welfare state types respond to the economic crisis? And did an external shock lead to policy change? Summarising, this research has shown how a high economic problem pressure created a situation that is believed to need change. In this process, the mechanism between fiscal pressure and public expenditure took a leading role. This is expressed through the fact that both welfare states have responded with retrenchment. Complementary to that mechanism, the different political-economic contexts have been of influence on the extent of this change following the thesis formulated by Esping-Andersen, therefore being an influence of second order. We have also seen that political factors and the New Politics approach of Pierson hold low explanatory strength. It has to be noted that the observed change has an incremental character, classified as *settings change*. We do not find evidence for any radical reforms.

Before we wrap the research up, there are a number of theoretical considerations that will need broader assessments in future research. We identified the neo-functionalist causality as the most dominant mechanism in our case studies. Regardless of differences in political economic dynamics, the main responses show many similarities: a response to fiscal pressure through budget cuts, shared by both governments as well as the relevant subsystems. However, taking into consideration the fourth building block of the ideational approach discussed in our theoretical framework, we have to note that there is an important role played by these factors. In this neo-functionalist argument, a disconnection of the problem and solution might be fruitful in unravelling underlying assumptions and ideas. The idea that fiscal pressure leads to cuts in social expenditure already holds a number of perceptions. The meaning of a fiscal deficit, public debt and the way it should be dealt with is locked within the theory. Why were these responses so one-eyed? Which role is played by this idea of austerity, how did politicians and policy-makers approach it cognitively? And what is the role of alternative ideas? Questions brought forward by the ideational approach that should be essential in further research focusing on the period 2008 - 2014.

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Appendix

App. 1: Overview variables and indicators.

Variable	Definition	Operationalization	Indicators	Sources
Dependent; Welfare state	Set of policies designed to protect income streams from market pressures.	- Unemployment benefits - Old age pensions	<i>Cash benefits</i> : the juridical determined amount of money an individual receives. <i>Entitlement rules</i> : the criteria an individual has to comply with in order to be eligible to enrol in the welfare program.	Government bills and policy documents.
Independent; Economic crisis	A sudden drop in GDP and industrial output.	- Gross Domestic Product. - Unemployment rate.	Annual Gross Domestic Product growth rate in percentages. Unemployment rate compared to the total working population in percentages.	Statistical data from multiple organisations: Eurostat OECD World Bank Development indicators
Systemic: policy change Advocacy Coalitions;	A group of actors that use resources to achieve the same policy goals.	Change-oriented coalitions and status quo oriented coalitions.	Use of resources on the topic: power, authority, money and knowledge.	Secondary literature Expert interviews Parliamentary minutes
Public opinion;	The opinion shared by the citizens of a country.	Public opinion concerning the popularity of the welfare state.	Support for welfare state policies among public.	Media tracing
Change in governing coalition;	A moment in which the coalition that shapes the government gets replaced or fundamentally adapted.	Former minority or change-oriented coalition gets a position of influence.	New, change-oriented, parties get installed in the government.	
Change in socioeconomic conditions;	Fundamental shift in the socioeconomic conditions.	Parties that use economic crisis to create discourse in favour of their policy preferences.	3 type of frames: - 1. Crisis has minimal significance, no causality. - 2. Crisis acknowledged as threat, causality is exogenous. - 3. Crisis is of high importance, causality endogenous.	
Impact other policy subsystems;	Decisions or rules from other policy subsystems that have an impact on policies.	External policy sovereign imposes policy change upon country.	Agreement with external policy sovereign in which concrete levels of compliance are agreed upon.	
Blame Avoidance;	Behaviour of politicians aimed at shifting away the blame of welfare state retrenchment.	Three strategies to do so: (1) presentation, (2) policies and (3) choice of agency.	Visible through: (1) <i>Excuses and justification</i> , (2) <i>selection of policies</i> and (3) <i>delegation to agencies</i> .	