All Interventionists Now?

On the Political Economy of Active Labor Market Policy as Micro-Interventionist Multi-Tools

AXEL CRONERT
Dissertation presented at Uppsala University to be publicly examined in Brusewitzsalen, Östra Ågatan 19, Uppsala, Friday, 2 February 2018 at 13:15 for the degree of Doctor of Philosophy. The examination will be conducted in English. Faculty examiner: Professor Jane Gingrich (University of Oxford, Magdalen College).

Abstract

As recent decades have seen a growing interest in reforming advanced welfare states to promote employment, active labor market policy (ALMP) has emerged as a major topic of inquiry among comparative political economists. Whereas the literature to date disagrees on, and mostly downplays, the role of partisan politics in the development of ALMP, this dissertation shows that political actors systematically use ALMP programs in different ways to achieve distinct political aims. Drawing mostly on a rich, new panel data set on approximately 1,000 programs across Europe, the dissertation draws attention to several politically salient dimensions of ALMP that need to be taken seriously to understand how partisan politics matter in advanced industrial democracies.

Essay I reconciles the conflicting understandings of partisanship and ALMP in the ‘power resources’ and ‘insider/outsider’ schools by highlighting that ALMP programs may serve two overarching purposes. The essay shows that left-leaning governments are particularly inclined to expand programs designed primarily to reduce unemployment, whereas governments of all suits are equally supportive of programs that also, or instead, serve to increase labor supply.

Essay II focuses on employment subsidies, documenting how these may be designed to tackle different labor market challenges among different target groups. Emphasizing institutional path dependency, the essay then shows that cross-national variation in employment subsidy design broadly reflects the varying institutional regimes in different parts of Europe.

Essay III reconsiders the conventional view on the importance of employer involvement and corporatist institutions for ALMP by separating programs produced unilaterally by the state from programs, such as employment subsidies, produced jointly by the state and employers to the benefit of both. The essay finds that corporatist institutions primarily matter for ALMP by paving the way for governments—especially with business-friendly center-right parties—that favor joint over unilateral production.

The introductory essay argues that ALMP forms part of a larger family of economic policies that are sufficiently versatile to be sustained and used by actors across the political spectrum. Reviewing long-term trends in economic policy in OECD countries, it shows that these policies, which are here labelled micro-interventionist multi-tools, have expanded considerably since the early 1980s.

Keywords: comparative politics, active labor market policy, economic policy, political economy, political parties, partisan politics, partisanship, institutional legacies, institutional regimes, corporatism

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In memory of Pernilla
List of essays

This dissertation is based on the following essays, which are referred to in the text by their Roman numerals.


II Cronert, A. One tool, many applications: Employment subsidies, institutional regimes, and labor market segmentation. *Submitted.*

III Cronert, A. Accommodation or extraction? Employers, the state, and the joint production of active labor market policy. *Submitted.*

* Reprint was made with permission from the publisher.
Acknowledgments

To write acknowledgments is to engage with the counter-factual, to reflect on the persons, without whose doings one’s piece of work would not have turned out the way it did. Where to start then, if not with my parents, Eva and Hasse. Without your unending nourishment, encouragement, and trust, the opportunity to write a doctoral dissertation would never have been within reach in the first place. What follows is in large part thanks to you.

I turn next to my supervisors, Joakim Palme and Karl-Oskar Lindgren. It is sometimes said that leadership in academia is about climate control, about creating a climate of possibility—and indeed, I cannot imagine a better greenhouse in which to cultivate a dissertation, than the one you provided. The floor was open, the ceiling was high, the atmosphere was bright and good-tempered. Also, time and again, I would learn by example from your own green fingers, as you would aptly advise me on what intellectual nutrients to add to the soil, on how to stake an argument as it grows from seed to plant, and on what weak branches to crop in times of overgrowth. Joakim, the influence you have had on me, since well before the PhD program, has been empowering in the true sense of the word. Kalle, your unfailingly constructive approach to supervision will always be an impressive benchmark to me. I am deeply grateful to you both.

Working in a field that intersects disciplines, I am thankful for having received support from several scholarly communities. Most important, of course, is the Department of Government in Uppsala, my alma mater since 2009. I owe a huge debt of gratitude to all teachers-turned-colleagues, fellow students, and staff who have contributed to my training as a political scientist over these years. Throughout the PhD program, I have also benefited greatly from my encounters with economists, labor lawyers, and sociologists at the Uppsala Center for Labor Studies and the Swedish Network for Social Policy and Welfare Research. And more recently, I have been fortunate to find a great source of inspiration in the community of comparative political economists in Cambridge, Massachusetts, to which Kathleen Thelen so kindly invited me as part of my 2016/2017 visit to the Massachusetts Institute of Technology.

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Last but not least, to my sister Maja: thank you for lending your creativity and keen eye for detail to the graphics of the dissertation and, more importantly, for enlivening my years of writing with so much laughter and festivities!
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introductory essay</td>
<td>12</td>
</tr>
<tr>
<td>All interventionists now? Trends in economic policy revised</td>
<td>15</td>
</tr>
<tr>
<td>The retreat of heterodox economic policy</td>
<td>16</td>
</tr>
<tr>
<td>The rise of monetarist economic policy</td>
<td>18</td>
</tr>
<tr>
<td>The resilience of Keynesian economic policy</td>
<td>19</td>
</tr>
<tr>
<td>The rise of micro-interventionist economic policy</td>
<td>20</td>
</tr>
<tr>
<td>The strong compliance with the general trends</td>
<td>25</td>
</tr>
<tr>
<td>Toward a new narrative?</td>
<td>26</td>
</tr>
<tr>
<td>The versatility of micro-interventionist multi-tools</td>
<td>26</td>
</tr>
<tr>
<td>What use is micro-interventionism?</td>
<td>29</td>
</tr>
<tr>
<td>A note on data and methodology</td>
<td>31</td>
</tr>
<tr>
<td>The inconclusiveness of comparative ALMP research</td>
<td>35</td>
</tr>
<tr>
<td>The multi-tool nature of ALMP</td>
<td>37</td>
</tr>
<tr>
<td>A framework for the study of labor market transitions</td>
<td>37</td>
</tr>
<tr>
<td>Three disputed dimensions of ALMP design</td>
<td>40</td>
</tr>
<tr>
<td>A theory of constrained partisanship and ALMP</td>
<td>44</td>
</tr>
<tr>
<td>The way forward</td>
<td>51</td>
</tr>
<tr>
<td>References</td>
<td>57</td>
</tr>
</tbody>
</table>
There is, as I said, no way around telling a good story, like a good historian but with the ambition of uncovering a “logic” underlying what you believe you are seeing, whatever it may be. . . . Can you ever be sure the pattern you find is really there and is the “relevant” one? Never. But if and when you are sufficiently confident that what you have found can stand, at least for a while, you can release it for others to inspect it and wait what they have to say and, more importantly, if it helps them get ahead in their efforts. . . . Science has an entrepreneurial element to it: I throw something into the open and hope that it will make a splash. If not, try again.

– Wolfgang Streeck, interviewed by Agnès Labrousse (2016)
It is widely established that the last 15–20 years have seen an ‘activation turn’ of social and labor market policy among the advanced industrial democracies (Bonoli, 2010). Governments across the OECD have introduced or expanded a range of policies aimed at disadvantaged segments of the population to promote higher employment. These include ‘demanding’ policies, such as reductions in the duration of unemployment benefits and stricter job search requirements on the part of benefit claimants, and ‘enabling’ policies, whereby public resources are devoted to removing various obstacles to employment (Eichhorst et al., 2008). Among the latter, the so-called ‘active labor market policies’ (ALMPs)—which refer to labor market training, employment subsidies, job search assistance, direct job creation programs, et cetera—have received particular attention among comparative political economists (Weishaupt, 2011; Morel et al., 2012; Bonoli, 2013; Hemerijck, 2013; Thelen, 2014).

A growing body of research has examined the causal dynamics of these policies, but to date, few conclusive results have been produced (Clasen et al., 2016). As detailed below, some accounts focus mainly on economic explanations, depicting the expansion of ALMP as a largely functional response to various structural labor market challenges caused by pressures from deindustrialization and globalization. Others place more emphasis on political explanations; but more often than not, these are in fundamental disagreement about the impact of key political actors, such as political parties, organized interests, and international policy experts. The dispute is particularly profound with respect to the role of parties on the left and right of the political spectrum in ALMP development. Studies over the past decade have alternately reported evidence for theories about positive, nonexistent or negative relationships between left-wing influence in the government and the level of ALMP ‘effort’ exerted by the government (Tepe & Vanhuysse, 2013).

The lack of robust advancements has not gone unnoticed. A group of leading scholars recently concluded that the “process of uncovering the causal dynamics specific to this policy field is still in its infancy” and called for increased sophistication—theoretical as well as empirical—in future research on ALMP (Clasen et al., 2016, p. 34).

Heeding this call, the overarching aim of this dissertation is to bring the comparative literature on ALMP forward in both these respects. As regards theory, this is achieved by taking variation in ALMP more seriously than previous research and proposing an understanding of ALMP as a profoundly versatile set of ‘multi-purpose tools’ that policymakers may and do use as a means to very
different ends based on the interests of their distinct constituents. Key to understanding the causal dynamics of ALMP, thus, is to pay more attention to the detailed programmatic designs of these interventions, which reveal what distributional effects they are intended to achieve. The empirical contribution of the dissertation is to bring in new comparative data that allow for precisely that. The three essays that form the bulk of the dissertation demonstrate how various distributional conflicts are reflected in policymakers’ specific applications of employment subsidies, labor market training, job creation programs, and similar labor market interventions in ways that have not previously been observed by comparative political economists.

Once we conceive of ALMP as a set of multi-tools for labor market intervention, it stands out as a somewhat arbitrarily demarcated part of a larger family of versatile policy instruments that governments in the advanced industrial democracies appear to have increasingly agreed to use—although differently so—to intervene in the economy. In a broader perspective, then, the dissertation serves to bring attention to the dynamics of what I am here going to refer to as the micro-interventionist state, or the ‘Swiss Army State’, as it were. The versatile multi-tools associated with this approach to economic policymaking—to which we may count, besides ALMP, horizontal industrial policy, work-life balance policy, social tax expenditures and strategic procurement—are gradually becoming more important in the advanced industrial democracies, as many of the more contested ‘power tools’ of previous eras are being removed from the economic policy menus. However, although—or perhaps precisely because—there appears to be a growing consensus among political actors about which policy tools to use and to what extent, there is also growing conflict about how to use them. Thus, for comparative political economists, shifting the focus from the question of how much to the question of how policies are being used is imperative not only for understanding distributional outcomes of economic policy in the advanced industrial democracies, but also for understanding the role of different political actors in the making of said policy.

Analytically, the claims advanced here speak to a number of debates in the study of politics and policy in the advanced industrial democracies. First, contra those who argue that ALMPs benefit primarily the traditional constituencies of the political left or primarily those of the political right, I demonstrate that they can do both. ALMPs are placed at the center of attention in most recent volumes that investigate the overall development of modern welfare states (Morel et al., 2012; Bonoli & Natali, 2012; Bonoli, 2013; Hemerijck, 2013; Thelen, 2014; Beramendi et al., 2015), which suggests that it is of growing importance that their versatile distributional properties are well understood.

Second, I contribute to the discussions about the reach as well as the limits of policy diffusion among experts and politicians. I do so by showing that even in an inherently technocratic policy field such as ALMP, where policy experts play a key role in defining and consolidating the menu of policy instruments from which politicians choose (Zeitlin, 2005, 2009; Weishaupt, 2011),
politicians do retain a certain scope for calibrating the detailed settings of these instruments in ways that align them with their own distributional goals.

Third, and most significantly, I speak to the debates about the extent to which conflicts between parties with different ideologies and constituencies matter for policy outcomes. I show that rather than having lost their relevance in the post-industrial era, traditional ideological conflicts extend into the domain of ALMP programs and find new expressions in their detailed programmatic design. I thus exemplify the need for comparative scholars to move beyond measures of aggregate policy expenditure and more closely examine the ways in which a government that is elected to administer a modern welfare state may ‘re-purpose’ (rather than revoke) the large program portfolios that it inherits to better serve its partisan objectives.

But why, one might ask, does the role of partisan politics in policy design deserve scholarly attention in the first place? I see a number of reasons.

First, electoral competition between parties has long been a staple of the democratic systems operating in the advanced industrial democracies (Müller & Strøm, 1999). Questions about the extent to which democratically elected party governments may influence policy outcomes are related to a core problem in democratic theory (Dahl, 1989) and have recently gained renewed attention from comparative scholars (e.g., Schäfer & Streeck, 2013; Streeck, 2014). From that point of view, the normative implications of constraining factors—such as the influence of experts on the selection of policy instruments—is less troubling if partisan governments are still able to set the overall goals of policy and adjust the instruments at hand accordingly (cf. Lindvall, 2009).

Second, the extent to which the government’s composition matters for economic policy should be of interest to voters, economic forecasters, and decision makers in industry alike. This is particularly important in an era when public disenchantment with politics appears to be on the rise—possibly exacerbated by a growing disbelief in the capacity of traditional parties to influence economic policy and outcomes (Potrafke, 2017). Third, if parties are not just Downsian short-term vote-maximizing machines but are indeed capable of affecting the long-term distributional outcomes of economic policy in favor of different groups, partisan politics may deserve a more prominent place than is commonly granted in analyses of macro-economic outcomes such as unemployment and inequality (Iversen & Soskice, 2006).

The remainder of this introductory essay is structured as follows. The second section sets the stage for what is to come by reviewing the broad trends in economic policy among OECD countries since the early 1980s. It outlines a new account of the long-term policy shifts that challenges some popular narratives about a general withdrawal of state interventionism. It does so, by highlighting areas of maintained or increased policy activism. Importantly, as the third section argues, the instruments associated with each of these policy areas are versatile enough to be applied as a means to very different distributional ends. The fourth section presents an argument for why it makes sense to gather...
them under the label micro-interventionism. As discussed in the fifth section, the multi-tool nature of these policies implies that comparative scholars need to apply more-detailed data on the precise settings of economic policies to properly understand the political processes that shape them. Turning specifically to ALMP, the section presents two new sources of data on labor market interventions that satisfy this need much better than previously available sources, and it offers a few remarks about what methods may be used to exploit them.

The sixth section summarizes the existing research on the political economy of ALMP, focusing particularly on the role of political parties. The seventh section outlines an analytic framework that disentangles three key dimensions of variation in ALMP programs, which I argue need consideration if we are to understand the distributional conflicts that play out in the policy field. Specifically, ALMP programs vary in terms of their target groups, their intended outcomes, and their modes of production. Informed by this framework, the eighth section outlines a refined theory about how partisan governments, operating under economic and institutional constraints, affect the development of ALMP. In doing so, the section also highlights and incorporates key findings from the three essays that form the bulk of the dissertation. The final section identifies a few questions opened up by the work reported here, and outlines some avenues for future research.

All interventionists now? Trends in economic policy revised

Among comparative political economists, it is commonplace to characterize the broad trajectories of economic policy since the end of the second world war as a succession of eras founded on distinct policy paradigms. A highly stylized account proceeds as follows: During the first decades following the Second World War, economic policy in the advanced industrial democracies was based strongly on the notion that governments could—and would—manage the economy so as to keep unemployment at bay. The policy menu included counter-cyclical demand management derived from Keynesian economic theory, as well as—especially during the Long Recession of 1974–1982—various strongly interventionist economic policies such as economic planning, currency devaluations, and trade barriers. The end of the Long Recession marked the end of the ‘Keynesian era’ and the beginning of a new era. From then on, economic policy was instead primarily derived from monetarist economic theory, which has a skeptical view of the government in general and of its role in macro-economic management in particular, and in which price stability is given precedence over low unemployment as the primary goal of economic policy. This era is sometimes referred to as the ‘monetarist era’ (Mills, 2016), the ‘era of austerity’ (Pierson, 2001; Blyth, 2013), or the ‘neo-liberal era’ (e.g., McNamara, 1998; Harvey, 2005; Hall, 2013; Streeck, 2014).
Among the many recent scholarly works that subscribe to this general narrative, some hold that the neo-liberal consensus is still firmly in place, whereas others find sufficient change in policy thinking in recent years to suggest that the neo-liberal era is gradually giving way to something new (e.g., Jenson, 2012; Bonoli, 2013). In this section, I review the long-term developments in several economic policy sub-fields, to make the case that the common narrative sketched above needs to be corrected on two levels: with respect to the fate of state interventionism since the early 1980s and with respect to the nature of the new approach to policy-making that is now on the rise.

The discussion that follows mostly revolves around Table 1, which reports the developments of a large set of economic policy indicators between the early 1980s and the present day, averaged over a set of advanced industrial democracies. All the data are retrieved from various existing sources but are presented here in a new, consistent and more comprehensive format. The following 18 countries are included in the analysis: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, the United Kingdom, and the United States. For most indicators, one or a few countries are omitted from the calculations due to a lack of data for the full set of periods studied. To ease interpretation, to limit the impact of short-term fluctuations, and to cope with the fact that not all data are available for all years, I narrow the study to five time periods and average the available data over each of these periods. The five periods are the early 1980s (1980–1985), the early 1990s (1990–1995), the early 2000s (2000–2005), the early years of the Great Recession (2008–2009), and finally, the period from 2012 to 2015, which is the most recent one for which sufficient data are available.

The retreat of heterodox economic policy

Let us begin by considering the policies for which the data presented in Table 1 support the common narrative. The first group of policies I label ‘heterodox’ policy, borrowing the term used by Pontusson and Raess (2012, p. 503) for economic policies that “seek to resist or steer market pressures for change”. These policies, which roughly correspond to what in earlier work by Gourevitch (1986) and Hall (1986) is referred to as protectionism, mercantilism, nationalization, and economic planning, have been largely abandoned and in some cases altogether terminated since the early 1980s.

First, it is well established that protectionist trade barriers—crudely represented in Table 1 by two partly overlapping indicators on the weighted mean level of tariff on imports—have been on the decline throughout the post-war period (Lampe & Sharp, 2013) and have become a less important measure for tackling economic and social challenges (Pontusson & Raess, 2012). While not reported in Table 1, it is also well known that exchange rate devaluations,
### Table 1. Trends in economic policy in up to 18 OECD countries, 1980–2015.

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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariffs (Lampe &amp; Sharp)</td>
<td>2.87</td>
<td>2.23</td>
<td>1.22</td>
<td>.</td>
<td>.</td>
<td>-57</td>
<td>&lt;</td>
<td>100 (of 13)</td>
<td></td>
</tr>
<tr>
<td>Tariffs (World Bank)</td>
<td>.</td>
<td>5.52</td>
<td>1.85</td>
<td>1.37</td>
<td>1.39</td>
<td>-75</td>
<td>&lt;</td>
<td>100 (of 18)</td>
<td></td>
</tr>
<tr>
<td>Public enterprises</td>
<td>3.26</td>
<td>1.92</td>
<td>1.03</td>
<td>0.97</td>
<td>.</td>
<td>-70</td>
<td>&lt;</td>
<td>94 (of 16)</td>
<td></td>
</tr>
<tr>
<td>Subsidization</td>
<td>2.83</td>
<td>2.31</td>
<td>1.71</td>
<td>1.70</td>
<td>1.70</td>
<td>-40</td>
<td>&lt;</td>
<td>81 (of 16)</td>
<td></td>
</tr>
<tr>
<td>Early retirement</td>
<td>0.22</td>
<td>0.21</td>
<td>0.17</td>
<td>0.12</td>
<td>0.08</td>
<td>-64</td>
<td>&lt;</td>
<td>77 (of 17)</td>
<td></td>
</tr>
<tr>
<td>Direct job creation</td>
<td>0.16</td>
<td>0.14</td>
<td>0.09</td>
<td>0.06</td>
<td>0.06</td>
<td>-65</td>
<td>&lt;</td>
<td>77 (of 17)</td>
<td></td>
</tr>
<tr>
<td>Sum: Heterodox expenditure</td>
<td>3.50</td>
<td>3.10</td>
<td>2.28</td>
<td>2.17</td>
<td>2.08</td>
<td>-40</td>
<td>&lt;</td>
<td>92 (of 12)</td>
<td></td>
</tr>
</tbody>
</table>

| Monetarist policy | | | | | | |
|-------------------|-------------|-------------|-------------|-----------|-----------|-----------------------|------|-------|----------|
| Central bank independence | 0.35 | 0.42 | 0.68 | 0.70 | 0.69 | 99 | < | 78 (of 18) |
| Interest rate | 13.36 | 9.43 | 4.74 | 4.11 | 2.80 | -79 | < | 100 (of 18) |
| Inflation rate | 9.72 | 3.67 | 2.33 | 1.87 | 1.47 | -85 | < | 100 (of 18) |

| Keynesian policy | | | | | | |
|-------------------|-------------|-------------|-------------|-----------|-----------|-----------------------|------|-------|----------|
| Fiscal policy activism | 0.78 | 0.56 | 0.64 | 0.79 | . | - | - | - |
| Automatic stabilizers | 0.18 | 0.14 | -1.06 | 0.41 | 0.82 | 356 | > | 80 (of 15) |
| Unemployment benefits | 1.12 | 1.46 | 1.00 | 1.16 | 1.25 | 12 | < | 44 (of 18) |
| Unemp. benefit generosity | 10.03 | 10.48 | 10.79 | 10.42 | 10.28 | 2 | < | 7 (of 14) |

| Micro-interventionist policy | | | | | | |
|-----------------------------|-------------|-------------|-------------|-----------|-----------|-----------------------|------|-------|----------|
| Research and development | 0.57 | 0.61 | 0.61 | 0.71 | 0.68 | 20 | < | 50 (of 16) |
| Training | 0.20 | 0.29 | 0.24 | 0.22 | 0.21 | 5 | < | 47 (of 17) |
| Employment subsidies | 0.08 | 0.13 | 0.13 | 0.11 | 0.14 | 73 | > | 65 (of 17) |
| Labor market services | 0.14 | 0.19 | 0.19 | 0.21 | 0.19 | 33 | < | 71 (of 17) |
| Supported empl. & rehab. | 0.11 | 0.12 | 0.12 | 0.13 | 0.12 | 9 | < | 53 (of 17) |
| Parental leave | 0.20 | 0.34 | 0.29 | 0.32 | 0.31 | 57 | > | 80 (of 15) |
| Childcare etc. | 0.43 | 0.63 | 0.89 | 1.04 | 1.12 | 160 | < | 94 (of 18) |
| Care for old age/incapacity | 0.55 | 0.84 | 1.05 | 1.18 | 1.25 | 128 | > | 78 (of 18) |
| Sum: Micro-interventionism | 2.78 | 3.72 | 4.06 | 4.57 | 4.69 | 68 | > | 100 (of 12) |
| Horizontal state aid (EU) | . | 0.29 | 0.39 | 0.40 | . | 87 | < | 86 (of 14) |


* Import-weighted average ad valorem tariff (%) (Lampe & Sharp, 2013). Missing: AT, FI, IR, LU, NZ.
* Employment in public enterprises as share of total employment. 1980–2007 (Schuster et al., 2013, tbl. 2).
* % of GDP. Two manually adjusted and linked series from 1980 to 2007 (OECD, 2017f) and 1995 to 2015 (OECD, 2017d). Missing: DE, LU.
* % of GDP. Sum of subsidies, early retirement, and direct job creation. Missing: AU, DE, IT, LU, NZ, US.
* Weighted index of 16 components ranging from 0 (lowest) to 1 (highest) CBI. 1980–2012 (Garriga, 2016).
* % of GDP. Includes aid to research and development, environment and energy saving, small and medium-sized enterprises, commerce, employment, training, or regional development (Buigues & Sekkat, 2009). 2000–2016 (European Commission, 2017a). Missing: AU, NO, NZ, US.
which are another powerful tool for governments that seek to alter the terms of trade in favor of domestic producers, have been largely abandoned since the early 1980s (Pontusson & Raess, 2012). For many of the countries under consideration here, this is obviously in part a consequence of the establishment of the Eurozone in 1999, which meant that they would no longer have currencies of their own (cf. Ilzetzki et al., 2017).

Second, whereas economic policy during the Long Recession often involved extensive direct state involvement in economic activity via the expansion of state enterprises, Table 1 reports that employment in such enterprises has seen a sharp decline since the early 1980s. A less sharp but still substantial decline can be seen for indirect state involvement through the subsidization of industry. Third, comparable developments are observed for two other ‘protective’ measures, although targeted at individual workers rather than industries. Labor shedding policies, by which I refer to early retirement for labor market reasons, and the direct creation of temporary public jobs—both of which serve to withdraw labor from the regular market—are down by two thirds since the early 1980s and were largely absent as a response to the Great Recession. A conspicuous feature of all policies reviewed above is that they have been largely uniformly abandoned. As evidenced by the large share of compliers, by which I mean countries that follow the average trend, the advanced industrial democracies have converged toward a low level of heterodox economic policy.

The rise of monetarist economic policy

With respect to the policies associated with monetarism, the data also clearly support the common narrative. Emerging in the 1980s as a recipe to prevent negative inflationary effects of shortsighted electoral ambitions, the delegation of monetary policy to independent central banks has been widely adopted over the past decades. For the 18 countries studied here, the average of the index of central bank independence compiled by Garriga (2016) roughly doubled during the 1980s and 1990s, and has remained at that level since the turn of the century. Analyses of the components that constitute the index clarify what this development represents: Central banks have been given greater authority over monetary policy formulation, the ability of governments to influence central bank personnel decisions and to use central bank credit to finance their operations has been curtailed, and price stability has become the more dominant goal for central banks. Accordingly, both interest rates and inflation have decreased sharply in a converging manner. Averaged over the period 2012–2015, inflation for the 18 countries ranged between 0.22 and 2.28 percent, with a mean of 1.47 percent (Armingeon et al., 2016). The conclusion by Iversen et al. (2000, p. 14) that “monetarist policies seem to have triumphed everywhere” still appears strikingly valid.
The resilience of Keynesian economic policy

However—and this is where my account begins to deviate from the common narrative—the retreat of heterodox economic policy and the rise of monetarism have not implied that governments’ economic policy overall has become less interventionist. Consider first the counter-cyclical policies associated with Keynesian demand management, which can be said to consist of two components: discretionary fiscal policy and ‘automatic stabilizers’ that act to dampen fluctuations in real GDP. With respect to discretionary fiscal policy, Raess and Pontusson (2015, p. 18) recently concluded that there has been “no general retreat from fiscal policy activism” among the advanced industrial democracies since the early 1980s. Table 1 reports the average of the indicator on fiscal policy activism used in their study, which measures the size of discretionary fiscal stimulus per 1 percent contraction in GDP growth for those among the 18 countries that used fiscal stimulus as a response to a deceleration in GDP growth in any of the four international recessions in 1981, 1990–1991, 2001, and 2008–2009. The indicator, which is based on econometric estimates by the OECD of the so-called underlying government primary balance, “adapts for fluctuations in government expenditures and revenues due to the business cycle and, thus, pertains to changes in expenditures and revenues that can be attributed to government decisions” (Raess & Pontusson, 2015, p. 6). Notably, one-off fiscal operations such as the massive bailouts of financial institutions rolled out in a number of OECD countries in 2008–2009 are excluded. Even though the measure is adjusted for the magnitude of the economic downturn, it indicates no downward trend in fiscal policy activism between the early 1980s and the Great Recession.

Turning from the discretionary to the automatic component of fiscal policy, it is furthermore clear from Table 1 that the size of the automatic stabilizers has increased since the outbreak of the Great Recession compared to previous periods. Needless to say, the rise in the indicator reported here, which measures the cyclical component of the fiscal balance as a share of GDP (OECD, 1999), is related to the fact that the Great Recession was much deeper than the previous recessions during the observed period (Raess & Pontusson, 2015). Nevertheless, it does indicate that the countries considered here have not lost their capacity for the counter-cyclical stabilization of aggregate demand. A side note is warranted with respect to the trends in unemployment benefits, which are typically seen as the automatic stabilizer par excellence. The data in Table 1 show that whereas, on average, unemployment benefit expenditures were exceptionally high in the early 1990s, they made up a slightly larger share of GDP in 2012–2015 than in the early 1980s. Moreover, among the 14 countries for which data are available, there is no aggregate long-term trend in the index on unemployment benefit generosity compiled by Scruggs et al. (2014). Taken together, these findings suggest that despite the rise of monetarism among these countries, Keynesian economic policy appears notably resilient.
The rise of micro-interventionist economic policy

As noted above, some accounts of the long-term economic policy trends go one step further to argue that the early 1980s marked not only the replacement of Keynesianism by monetarism but indeed the inception of a new, largely non-interventionist paradigm. A number of scholars before me have called these accounts into question by pointing out various policy instruments through which governments intervene in the economy, which have shown no sign of contraction—and indeed, in several cases, have expanded. Bringing together some of this work, I here review a number of these instruments and place them under a new common label that I am going to call micro-interventionism.

The prefix micro- serves a twofold purpose in this case. First, it is meant to distinguish these versatile and selective policies from policies that operate largely non-selectively at the macro-level of the economy, such as monetary policy and broadly targeted fiscal policy. Second, it is meant to designate that these policies are generally less forceful than the likewise selective heterodox ‘power tools’ of previous eras, such as trade barriers and economic planning. Accordingly, I suggest that the state that we currently see expanding may be portrayed, if not precisely as “a kind of billiard ball, pushed around by competing interest groups” (Hall, 1986, p. 17), then perhaps as a kind of multi-purpose tool—a ‘Swiss Army State’, as it were. Different governments may, and seemingly do, apply this set of tool in different ways to intervene in the economy to promote economic activity in a way that advances interests specific to their constituents. I return to the versatile and political nature of this set of tools below, but for now let us consider in turn what I see as its main components: (1) horizontal industrial policy, (2) (most) active labor market policy, (3) work-life balance policy, (4) social tax expenditures, (5) and strategic procurement.

**Horizontal industrial policy**

Recent scholarship on industrial policy has indicated that the conclusion—drawn, for instance, by Schuster et al. (2013)—that the long-term decline in industrial subsidization reported above can be interpreted as a definitive retreat of the modern state from entrepreneurial activities is somewhat premature. Aiginger (2007), for example, documents a renewed interest in industrial policy among especially the European countries since the turn of the century, reflected in policy agendas such as the Lisbon Strategy and in enacted policy. While different terms have been used to distinguish the ‘new’ approach to industrial policy from the ‘old’ one, the distinction between horizontal support, which has a broad impact on many or all industries, and vertical support, which targets specific sectors or firms, provides a good starting point (Buigues & Sekkat, 2009). Traditional vertical industrial aid—perhaps most strongly associated with the French ‘dirigisme’, designed to prevent the market exit of ailing industries and to favor national ‘champions’ (Levy, 2005)—has indeed lost its appeal among policymakers and experts. It has also become more dif-
difficult to promote, due to the expansion of trade agreements, the work of the World Trade Organization (WTO), and the strengthening of the European Single Market (Aiginger, 2007). In contrast, horizontal aid, aimed at promoting economic activities that are “common to a large number of sectors and firms that suffer market failures”, is gaining popularity—and these types of aid are also less restricted by the WTO and the EU (Buigues & Sekkat, 2009, p. 5).

In line with the European Commission, Buigues and Sekkat (2009) define horizontal state aid as aid that is targeted at research and development, environment and energy saving, small and medium-sized enterprises, commerce, employment, training, or regional development. Among these objectives, long-term public expenditure data are only available for research and development, employment subsidies, and training. Notably, the two latter policy fields are commonly included also in the definition of active labor market policy (ALMP), which demonstrates that there is a conceptual overlap between industrial policy and ALMP. The time series reported in Table 1 support the notion that horizontal industrial policy is on the rise: Since the early 1980s, public expenditure on research and development has increased by 20 percent and employment subsidies are up by 73 percent. Training expenditure has seen a slight growth over the full period—although it has markedly declined since the early 1990s.

Importantly, not all forms of state aid show up in the public expenditure statistics, but support can also take the form of equity participation, soft loans, guarantees, and tax breaks. The European Commission’s (2017a) State Aid Scoreboard provides data on cases of state aid among the EU Member States since the year 2000, categorized by objective. A shorter time series based on these data, which for the most part overlaps with those just discussed in terms of countries and coverage, corroborates previous findings. For the 14 EU countries under consideration here, horizontal state aid has seen a noticeable 37 percent increase since the early 2000s—a major part of which represents aid to support energy saving and environmental protection. In absolute terms, it is evident that the long-term increase in horizontal industrial policy does not make up for the decrease in overall industry subsidization reported above. The trend does, however, lend some support to Aiginger’s (2007) depiction of industrial policy as a ‘re-emerging phoenix’ rather than a ‘dying breed’.

**Active labor market policy**

Active labor market policy (ALMP) commonly refers to labor market interventions targeted at the unemployed, those at risk of losing their jobs, or certain groups outside the labor force—such as housewives and single parents—to facilitate their entry into (or prevent their exit from) employment. As was just demonstrated above, conceiving of ALMP as a distinct category of interventions is problematic, both because of its overlap with other policy areas and because of the great variation among the programs commonly classified as ALMP. The breakdown of ALMP expenditure into a set of subcategories, as
reported by OECD and Eurostat, provides a first useful step in unfolding this policy area. The standard classification scheme contains six (previously seven) categories of ‘active’ interventions: (1) labor market services, (2) training, (4) employment incentives (i.e., mostly employment subsidies), (5) sheltered and supported employment and rehabilitation, (6) direct job creation, and (7) start-up incentives\(^1\) (Eurostat, 2013).

Bonoli (2010) notes that these categories vary in terms of how pro-market employment-oriented they are, and Farnsworth (2012) argue that some of them are particularly beneficial to private industry. Therefore, in addition to employment subsidies and training programs, I consider two more subcategories of ALMP as belonging in the micro-interventionist tool-box. The first is labor market services, which largely comprises placement and counseling services aimed at facilitating the job search activities of non-employed persons, and services to assist employers in recruiting and selecting staff\(^2\). The second subcategory is sheltered and supported employment and rehabilitation, which covers interventions that aim to promote the labor market integration of persons with reduced working capacity (Eurostat, 2013). Both types of interventions have featured prominently in the economic strategies promoted by the OECD and the EU since the 1990s (de la Porte, 2009; de la Porte & Jacobsson, 2012). Moreover, as reported in Table 1, both have seen a long-term expansion—particularly labor market services.

**Work-life balance policy**

The third major category of micro-interventionist multi-tools is work-life balance policy, which is the term Bonoli (2013) uses to denote those family policies that promote labor market participation for parents, especially women. The main pillar of these policies is subsidized childcare, but other sorts of support to reconcile work and family life also belong in this category. One of them is parental leave policy, which, even though it promotes temporary exits from employment, is “clearly meant to maximize labour force participation” (Bonoli, 2013, p. 26). Another one, I would add, is the provision of subsidized services to provide care for the elderly and the incapacitated. Although they do not have the human capital-enhancing function of childcare (cf. Heckman, 2000; Kamerman et al., 2003), they are equivalent insofar as they promote labor force participation by making it easier for workers—again, especially women—to remain on the labor market longer instead of withdrawing early to care for elderly or incapacitated relatives.

Work-life balance policies can be considered micro-interventionist in at least three regards. First, they are often explicitly aimed at increasing economic activity through promoting paid work (and, indirectly, human capital accumulation) among targeted groups (Morgan, 2012). Second, as pointed out by Jenson

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1The standard scheme also contains two categories of ‘passive’ interventions: (8) out-of-work income maintenance and support (i.e., mostly unemployment benefits), and (9) early retirement.

2For practical purposes, I also include the small amounts of start-up incentives in this category.
(2012, p. 71), they extend state involvement to activities that “for Keynesians as much as neoliberals” are seen as private matters, managed either through the family or the market. In that sense, these policies represent a contemporary continuation of what Ansell and Lindvall (2016) refer to as the ‘inward conquest’ of the modern state, that is, the expansion of public service provision into additional domains of social life. Third, they can have very different distributional profiles depending on how they are targeted (Lancker & Ghysels, 2012; Gingrich & Ansell, 2015). Moreover, as Bonoli (2013) observes, the philosophy and the policy-making logic that govern work-life balance policies is for the most part rather similar to those that govern ALMP. It is on the basis of this insight that Bonoli brings the two policy areas together under the common label ‘active social policy’.

Table 1 reports time series on the average public and mandatory private expenditures on parental leave, childcare and other in-kind family support and on care for the elderly and the incapacitated, respectively. Seen over the full period, each indicator has grown considerably, and the increase has been particularly pronounced for the two that represent services.

**Social tax expenditures**

Two additional policy instruments belong under the micro-interventionist umbrella but are more difficult to explore empirically. The first is social tax expenditures (STEs) (Morel et al., 2016). Tax expenditures in general—defined as “departures from the normal tax structure . . . designed to favor a particular industry, activity, or class of persons” (Surrey & McDaniel, 1985, p. 3)—are by definition interventionist because they selectively alter equilibrium prices and output (Buigues & Sekkat, 2009). But while they receive plenty of attention in industrial policy research, they have “remained a blind spot in much of the welfare state literature” (Morel et al., 2016, p. 3).

The revenue loss that follow from tax breaks with social purposes—for instance, retirement savings, health, employment, family, and housing—today corresponds to a substantial share of traditional social spending in the United States and in several European countries (Howard, 1997; Adema et al., 2014). Nevertheless, there is a lack of exhaustive and comparable data on STEs, especially for longitudinal analysis. A literature survey compiled by Morel et al. (2016), however, indicates a trend among European welfare states during the last 20 years, toward reforms that make use of STEs. These reforms appear particularly prevalent in three fields: ALMP, family policy and childcare, and income support. Because of the interventionist and versatile nature of STEs, they clearly belong in our conception of the micro-interventionist state.

**Strategic procurement**

The final policy instrument to consider is public procurement—that is, the purchase of works, supplies, and services by governmental bodies—and more
specifically, strategic procurement (also known as targeted or social procurement). Whereas direct subsidies as well as the provision of research, education and training may all be seen as ‘push factors’ through which governments can affect markets in a favored direction, strategic procurement can be used as a ‘pull factor’ toward the same end by increasing demand for specific goods or services (Buigues & Sekkat, 2009). Although the use of public procurement for strategic purposes is to some extent limited by the international rules stemming from the WTO and the EU, it may still prove a powerful—and inherently political—policy instrument (Buigues & Sekkat, 2009).

It is difficult to assess the extent to which strategic procurement is being used today and how such practices have changed over time. However, many pieces of evidence point toward a growing importance of this policy tool, while few, if any, indicate a decline. To begin with, available data show that public procurement overall amounts to a substantial and upward trending share of GDP among the advanced industrial democracies. In 2014, the average for the 18 countries studied here was 13.5 percent of GDP, up from 12.7 in 2007 (OECD, 2017a). With respect to strategic use of public procurement, recent reports from the EU and the OECD explicitly point to an increasing trend among member states (Kahlenborn et al., 2011; OECD, 2013, 2015, 2017h).

Moreover, three new directives on public procurement adopted by the EU in 2014 have made it “much easier” for contracting authorities in EU Member States to require that contractors comply with a range of social requirements (Barnard, 2017, p. 4). Barnard’s call on labor lawyers to “start taking procurement law seriously” may well turn out to be useful advice to comparative political economists as well (2017, p. 1).

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3 The term social procurement refers to cases in which the government uses its purchasing power to achieve some desired social outcome. This is typically done by introducing ‘social clauses’ that stipulate that in order to become eligible to tender for public contracts, contractors have to meet certain requirements, such as adhering to certain labor standards, wage levels, or recruitment practices (McCrudden, 2004). I stick to the broader concept strategic procurement, used by the EU and OECD.

4 Interestingly, it is only since 2013 that the OECD’s Government at a Glance reports have contained specific subsections on strategic public procurement (OECD, 2013, 2015, 2017h).

5 A first estimate of the extent to which strategic procurement is practiced was recently provided in a study commissioned by the European Commission (2015b) for a sample of 10 European countries. Analyzing all procurement procedures reported to the EU-wide procurement database TED in 2013 (the value of which corresponds to 28 percent of total procurement for these 10 countries, on average), the study found that green public procurement represented 25 percent of the total procurement value, while socially responsible public procurement was estimated at 17 percent and public procurement of innovation at 7 percent. Although these figures are not necessarily representative of a larger universe of procurement, they do hint at considerable potential for strategic micro-interventionism, particularly given the overall level of public procurement.
The strong compliance with the general trends

As evidenced by the right-most column of Table 1, the trends reviewed above appear to be strikingly uniform across countries. Between the early 1980s and today, each of the heterodox policy indicators has seen a decrease for 75 to 100 percent of the countries. For monetarist policy, there is an equally strong compliance in the opposite direction. With respect to Keynesian policy, it is illustrative that Raess and Pontusson (2015) found that each of the observed countries considered here, except Sweden, introduced some form of fiscal stimulus as a response to the Great Recession. And with respect to the growing micro-interventionist policies, more than half of the observed countries complied with the general upward trends in each case except training. If we sum up the eight micro-interventionist indicators for the 12 countries for which they are all available, there is no country that does not comply with the upward trend. Conversely, among those 12 countries, only Denmark did not see a decrease in the three heterodox expenditure categories when considered together.

The box plots for the two summary indicators presented in Figure 1 support the notion of a largely uniform shift from a heterodox to a micro-interventionist approach to economic policy expenditure. For micro-interventionist spending, the maximum, the minimum, and the median all increased substantially over the period, and the minimum saw a larger increase than the median. Con-

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6Even if we omit spending on care for old age and incapacity—the largest and arguably least interventionist policy—the upward pattern is striking. Although the Netherlands and Sweden decreased 5–6 percent from very high initial levels, the other ten countries saw increases ranging from 44 to 270 percent. The increase in average is, then, 53 percent instead of 68 percent.
versely, heterodox spending decreased across the distribution; the one notable exception—Belgium—is now an outlier in statistical terms.

Toward a new narrative?

In conclusion, this section set out to advance an alternative account of the changes in economic policy among advanced industrial democracies over the past three to four decades, which breaks with the notion that the economy has become increasingly insulated from interventions by the democratic state (e.g., Streeck, 2014). It is inevitably a stylized portrait that overlooks much interesting cross-national variation in order to highlight the overarching trends. The revised narrative can be summarized as follows. Since the end of the Long Recession in the early 1980s, governments across the OECD have largely abandoned the intrusive heterodox interventions that were used to tackle social and economic challenges during the early post-war era—such as trade barriers, economic planning, labor shedding and currency devaluations. In parallel with these developments, new norms for monetary policy have been firmly established in close adherence with the monetarist prescription of independent central banks instructed to ensure price stability.

However, this has not translated into a full retreat of state interventionism. First, policymakers appear to have retained a commitment to traditional ‘Keynesian’ discretionary fiscal policy and automatic stabilizers. Second, they have gradually developed a new, micro-interventionist approach to economic policy based on horizontal industrial policy, active labor market policy, work-life balance policy, social tax expenditures and strategic procurement. Indeed, the expansion of micro-interventionist instruments is rather substantial, judging from the 12 countries for which all necessary data are available (and entirely disregarding social tax expenditures and strategic procurement). Seen over the full period, sometimes referred to as the ‘era of permanent austerity’ (Pierson, 2001), the total average expenditure increased by 68 percent, and by the end of the period, it had reached a considerable 4.7 percent of GDP.

The versatility of micro-interventionist multi-tools

Can the developments described above be seen as evidence for the notion that there has also been a growing ideological consensus among the politicians under whose watch these policy changes have taken place? To some extent, yes. As aptly summarized in the recent reviews by Stephens (2015) and Potrafke (2017), there is now considerable evidence from studies on long time series data from OECD countries that the impact of partisan politics on economic policy has generally become less pronounced over recent decades. Inevitably, these studies, including those focusing on micro-interventionist policies, tend to rely on aggregate data on public expenditure on different pol-
icy instruments. These data are useful for comparing how much a particular policy instrument is being used across countries or over time, but they are less informative with respect to how and for what purpose. The argument of this essay is not merely that micro-interventionist policies are broadly on the rise, but also that they are versatile enough to be deployed as a means to very different ends and that policymakers vary systematically in terms of how they make use of them. Thus, because the same policy instrument can be used differently by different political actors, the aggregate expenditure data are of limited use if we want to fully understand how struggles between political actors affect the design and, in turn, the distributional outcomes of economic policies. To do so, we need to disentangle these policies both theoretically and empirically.

A comprehensive exploration of how distributional struggles play out across the sub-fields of micro-interventionist policy falls outside the scope of a single dissertation, especially given that the particular ways policies can be modified evidently vary across instruments and fields. The three essays that form the bulk of this dissertation therefore concentrates on one key component of the micro-interventionist toolbox, namely ALMP. As outlined in greater detail in later sections of this introductory essay, I argue that whereas ALMP programs are broadly adopted and consistently listed high on international policy agendas, their target groups, their intended outcomes, and their modes of production matter for their distributional outcomes and make them subject to a great deal of political struggle.

Before turning to ALMP, however, the brief exposition that follows is meant to illustrate that for the other micro-interventionist policy fields too, research supports the notion of a growing consensus about the appropriateness of using the tools in question but that they are being used for different purposes in different countries or by governments with different ideological compositions.7

As regards industrial policy, Schuster et al. (2013) studied the retreat of the state from entrepreneurial activities in 20 OECD countries between 1980 and 2007, and found no relationship between government ideology and the propensity to privatize public enterprises or to reduce the overall amount of subsidies to industries. However, subsidies and other forms of state aid—including the expanding horizontal versions—vary in their distributional profiles in ways that make them prone to political conflict. For instance, Fukumoto (2017), in a

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7 Indeed, even within the field of Keynesian fiscal policy, there is scope for distributional conflicts. Pontusson and colleagues have observed that while the “United States, Japan, and nearly all countries in Europe reacted to the Great Recession with some form of fiscal stimulus” (Bermeo & Pontusson, 2012, p. 8–9), there is importantly “a liberal as well as a social variant of Keynesianism”, as fiscal stimulus can be achieved both by reducing taxes and by increasing government spending (Pontusson & Raess, 2012, p. 31). In later comparative work, a partisan aspect of this choice in recent times was identified, as Raess and Pontusson (2015, p. 16) found that, at least in large welfare states, “left-leaning governments relied more on spending increases to stimulate aggregate demand than right-leaning governments did in 2001 and 2008/2009”. Interestingly, however, this seems not to have been the case in the early 1980s or early 1990s.
study of regional state aid in Belgium and Italy, found that parties whose core constituency is low-skilled workers are more prone than other parties to favor regional development aid and broad investment incentives, over research and development grants that supposedly have a distributional profile in favor of the high-skilled.

The work-life balance policies also have no pre-defined distributional profile, but may benefit different groups depending on how they are targeted. For instance, in a study of the distributional effects of childcare in Flanders and Sweden, Lancker and Ghysels (2012) found different—indeed opposite—outcomes in the two countries. In Sweden, where employment among low-skilled women is higher and where access to childcare is guaranteed and fairly evenly distributed, redistribution is greater. In recent work, Gingrich and Ansell (2015) demonstrated a political implication of this difference, as they found that in countries with lower levels of female employment, right-wing governments spend more on family policy, whereas in countries with higher female employment, left-wing parties are higher spenders.

As with all publicly financed services—including, as we shall see below, ALMP—another topic of political struggle in this field concerns the involvement of private actors in the delivery of childcare and elderly care services. Gingrich (2011) has shown how parties across the political spectrum can use markets in public services as tools to empower their particular constituencies; for the right, doing so tends to imply a greater involvement of private actors in service delivery.

It is well established that social tax expenditures (STEs) often have a regressive nature and benefit the middle and upper middle classes the most (Adema et al., 2014; Carbonnier & Morel, 2015). However, much like tax policy in general, STEs can in fact be used as a means to very different ends, which makes them subject to influence from political parties and party competition (Howard, 1997). Two examples may serve to illustrate this point.

First, earned income tax credits (EITCs) are generally meant to increase incomes and work incentives for low-wage workers (Immervoll et al., 2007). In the case of Sweden, however, an EITC introduced by a center-right government in 2007 was designed to increase incomes for workers across the wage distribution, albeit in a slightly progressive manner (Cronert and Palme, forthcoming). Interestingly, in 2016, a phase-out mechanism was introduced for high-income earners by the recently elected left-wing government, which altered the distributional profile of the EITC to be more in favor of those with lower wages. Second, in the domain of work-life balance policy, Austria, Belgium, France, Germany and the United States have all used tax expenditures to subsidize childcare (Morel et al., 2016). In Portugal, the same kind of instrument has instead been used for carers with low incomes providing services to elderly relatives (Adema et al., 2014). Related ‘cash-for-care’ schemes are also long-standing—and contentious—features of childcare policy in Finland and Sweden (Hiilamo & Kangas, 2009). The distributional effects of these two
types of schemes, as well as their effect on female labor force participation, are likely to be rather different (see, e.g., Giuliani & Duvander, 2017).

Strategic procurement, finally, is by nature a political tool, as any “procurement decision reflects a political preference and priority” (Buigues & Sekkat, 2009, p. 44). On a general level, strategic procurement can be used both to promote competition, for instance by helping firms overcome entry barriers to oligopolistic markets, and to distort competition by imposing contract requirements that discriminate against companies of particular types⁸ (Buigues & Sekkat, 2009).

Even though most countries studied here have now developed central-level plans that support green public procurement (16 of 18), procurement from small and medium-sized enterprises (14 of 18), procurement of innovative goods and services (14 of 18), commitment and priorities appear to vary across countries (OECD, 2015, p. 139). For instance, the European Commission (2015b) reports that for the United Kingdom, France and the Netherlands, between 16 and 30 percent of the analyzed procurement value involved green and/or socially responsible procurement, while for Sweden and Austria, these figures were in the range of 1 to 3 percent.

What use is micro-interventionism?

Having introduced the concept of micro-interventionism, I now outline what I argue is the key value it adds to the growing family of concepts that have been used to capture the trends in economic and social policy over recent decades.

First, I suggest that the policies in question here are more accurately described as micro-interventionist than as liberalizing or neo-liberal. This is not to dispute that liberalization has found other expressions during the studied period—such as in the deregulation of industry (Schuster et al., 2013), the ‘financialization’ of the economy (Davis & Kim, 2015), or the transformation of industrial relations (Baccaro & Howell, 2011). And, on the one hand, the policies I refer to as micro-interventionist do operate under the assumption that the market economy ought to be the primary source of welfare creation, and they are broadly compatible with liberal principles of competition, free trade, openness, and innovation.

But, on the other hand, they fit poorly with the common notion of the neo-liberal state, which, based on the conviction that state interventions at large impede economic development, is “expected to take a back seat and simply set the stage for market functions” (Harvey, 2005, p. 79). Although there are many

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⁸Indeed, corruption is a long-standing theme in procurement research (Laffont & Tirole, 1991; Celentani & Gauza, 2002). There is, for instance, evidence from the United States 1994 midterm election that following the shift of majorities in both the House and the Senate, companies with connections to the winning (losing) party experienced a large increase (decrease) in the value of procurement contracts (Goldman et al., 2013).
interpretations of neo-liberalism, minimal state interventionism is a generally agreed core principle (Turner, 2008). In breaking with that principle, micro-interventionist policies ascribe a key role to the state that goes well beyond what neo-liberals oftentimes support—such as addressing market failures and safeguarding essential market institutions—in the sense that they pave the way for imposing selective social goals on the economy through the strategic use of taxing and spending.

As already mentioned, a number of scholars before me have observed the deviations of one or a few of the growing policy fields from the principles of neo-liberalism (e.g., Morel et al., 2012; Hemerijck, 2012; Jenson, 2012; Bonoli, 2013), and a number of concepts have been proposed to describe this development (for a useful review, see Bonoli, 2013, chp. 2). So why the need for the concept micro-interventionism?

First, some of the previous characterizations are too narrowly defined to capture that a similar approach to state interventionism appears to be evolving in adjacent policy fields. This is, for instance, the case with those accounts that focus particularly on labor market policy, such as those describing the ‘activation turn’ of labor market policy in the 1990s (Bonoli, 2010) or the emergence of the ‘activation paradigm’ (Weishaupt, 2011). In this context, Bonoli (2013) makes an important contribution by bringing together ALMP and work-life balance policies under the joint label ‘active social policy’, based on his observation that the philosophies and the policy-making logics that govern the two policy fields are, for the most part, rather similar. Importantly, he also notes that while “we can expect the notion of an active social policy to provide some broad indications concerning the direction of social interventions”, the application of these policies is likely to vary across countries, depending on their “political economy traditions, balance of political power, and budgetary constraints” (Bonoli, 2013, p. 21). In that vein, by introducing the concept of micro-interventionism, I here propose to widen the scope of analysis further based on having observed (1) the conceptual overlap between ALMP and horizontal industrial policy and (2) the growing use of social tax expenditures and strategic procurement for purposes that partly overlap with those of active social policy.

As a side note, it is worth highlighting how self-proclaimed proponents of free markets and a minimal state are currently portraying the policy trends during the ‘neo-liberal era’. At a celebration in May 2017 of the Cato Institute’s 40th anniversary, a panel of libertarian scholars were asked to take stock of the ‘State of Liberty in America’. Their overall message was as sincere as it was disappointed: Even though liberal ideas “have made it into the mainstream” in recent decades, the government “continues to get larger” and “more intrusive” (EconTalk, 2017). A similar account for much of Europe is given in a recent book published by the Swedish think tank Timbro, whose title translates to The Return of the Big State (Den stora statens återkomst) (Svensson, 2017), as well as in an anthology published in 2014 by the London-based Institute of Economic Affairs (Norquist et al., 2014, chp. 3).
Second, some characterizations arguably fail to capture what is distinctive about the observed policy changes. It appears, for instance, not entirely accurate to speak of a general shift from a ‘demand-management’ to a ‘supply-management’ strategy (Jenson, 2012; Bonoli, 2012), considering (1) the sustained commitment to fiscal policy activism (Raess & Pontusson, 2015), and the increasing popularity of both (2) employment subsidies, which serve to directly alter employers’ labor demand (Neumark, 2013), and (3) strategic procurement, which explicitly boosts the demand for selected goods and services (Buigues & Sekkat, 2009). Similarly, depicting the broad trend as one of increasing emphasis on ‘social investment’—commonly taken to involve (among other things) a strengthened focus on human capital accumulation (Morel et al., 2012)—comes with the risk of overlooking that both the extent to which the expanding instruments are investment-oriented, and the extent to which they can be seen as ‘social’, greatly depend on their content and targeting. It also arguably disregards the much larger investments in human capital accumulation that are channeled through the regular education systems and that generally saw major expansions already prior to the period considered here (Ansell, 2010).

Third, considering the distributional wiggle room accommodated by these policies, it appears important that the concept chosen to describe them does not come with fixed normative connotations, which in at least some scholarly camps is the case for the rise of ‘neo-liberalism’ (Streeck, 2014) or of a ‘Schumpeterian workfare regime’ (Jessop, 1999). Finally, as we have seen, the concept should also not preclude a scope for distributional conflict regarding the policies to which it refers. This is arguably a risk that comes with the more depoliticized concepts, such as the ‘rationalization’ (Levy, 1999; Pierson, 2001) or the ‘recalibration’ (Ferrera et al., 2001; Pierson, 2001) of policy.

Being defined solely on the basis of which policy instruments it comprises and their versatile applications, the ‘micro-interventionist state’ can hopefully serve as a concept that is narrow enough to distinguish this particular function of the state from other, less versatile and less intrusive functions, yet wide enough to cover the full spectrum of broadly accepted selective economic policy instruments that policymakers may use to intervene in the economy in ways that fit their distinct distributional interests.

A note on data and methodology
To be able to disentangle the different ways in which policymakers make use of micro-interventionist policies, scholars need datasets with much more detailed information than the ones on aggregate public expenditure that are used in the analysis above and that still dominate research on economic policy. Ideally, we would like to have data that track programs and their settings over time and/or event data indicating occasions of birth, reform, or termination. With respect to micro-interventionist policies, a few ample data sources already exist. For the
United States, the Catalog of Federal Domestic Assistance (CFDA) records all Federal programs that provide benefits to political entities, corporations or individuals dating back to the 1960s. More recently, the European Commission has established a number of rich databases on various types of state interventions among the EU Member States. These include the State Aid Scoreboard, which reports cases of state aid to industries, the Tenders Electronic Daily (TED), which publishes public procurement notices, and two databases particularly concerned with labor market interventions: the Labor Market Policy (LMP) database and the Labor Market Reform (LABREF) database. While to date, these databases have been utilized very sparsely by comparative political economists, this dissertation makes a contribution by demonstrating how they can be used to analyze the political dynamics of ALMP at an unprecedented scale and level of detail.

Most use is made of the EU LMP database, which reports program-year-level data on labor market programs from across the EU-27 plus Norway, going back to 1998 for several countries (European Commission, 2015a). The observations include information about a large set of program characteristics, including the year of start and the year of termination, as well as summaries of expenditures and participants that are reported annually for each program operating at the national or regional level in each country\(^{10}\). These data reveal a great deal of program heterogeneity, which is discussed at some length in subsequent sections and is analyzed in greater detail in Essays I and II. For now, consider two findings reported in Figure 2 for the 13 EU Member States included among the 18 advanced industrial democracies in focus above.

The first finding concerns the sheer number of programs, represented by the bar chart in the left-hand panel. In an average year, each of the 13 countries had, on average, 28 programs in operation. This number has increased slightly since the late 1990s, and it unsurprisingly saw a temporary peak at the height of the Great Recession. The second finding is that there is a considerable turnover of programs. This is illustrated in the right-hand panel, which plots Kaplan-Meier survival estimates for all ALMP programs that started between 1998 and 2012. The estimates suggest that 15 percent of these programs are terminated within five years after enactment, that another 15 percent cease within eight years, and that the survival rate drops below 60 percent after ten years. Given the overall stability of the total number of programs, these estimates reveal that a great number of changes are nevertheless made to the composition of the program portfolio.

\(^{10}\)Eurostat (2013) provides a detailed description of all variables. Data on expenditures and participants are reported annually in the Labor Market Policy database on the Eurostat website (http://ec.europa.eu/eurostat). Data on program characteristics are reported bi-annually and country-wise in qualitative reports published in the “LMP - Labour Market Policies” section of the European Commission’s CIRCABC platform (https://circabc.europa.eu/). A spreadsheet with annual data for all programs observed between 1998 and 2013 was generously provided to me by the European Commission (DG EMPL).
This claim is supported by ALMP reform data from the LABREF database (European Commission, 2017b). The database contains information about enacted legislation, other public acts of general scope and relevant collective and tripartite agreements for the EU countries, in the field of ALMP and eight other policy fields. For the 13 countries here, for which the database covers the years 2000–2013, there are 570 cases of reforms meant to increase “the availability, generosity, or effectiveness of ALMPs” (Turrini et al., 2015, p. 6). As shown in the left-hand panel of Figure 2, reform activity grew steadily throughout the period. Toward the end of the period, the average country experienced approximately 4 such reforms per year.

With the addition of new types of data comes an opportunity to expand the methodological toolbox used in the comparative literature on the politics of ALMP, which to date has been dominated by, on the one hand, in-depth case studies of a small number of countries (e.g., Clasen & Clegg, 2006; Bonoli, 2010; Weishaupt, 2011) and, on the other hand, time-series–cross-section (TSCS) analyses of expenditure data for approximately 20 OECD countries over 15–30 years (e.g., Rueda, 2005; Huo et al., 2008; Bonoli, 2013; Nelson, 2013). The data used in the latter group of studies are invariably retrieved

from an OECD database that contains yearly country-level observations on aggregate public expenditures on the set of broad categories of ALMP enumerated above, starting mostly in 1985 (OECD, 2017c).

The methodological advantage of the data sources provided by the European Commission is that they allow extensive program-level analysis in which hundreds of individual programs can be compared to each other and tracked over time. Two approaches to program-level analysis appear particularly useful, and both are applied in this dissertation. The first is event-history analysis, which may be used for testing hypotheses related to the frequency or timing of events, such as the reformation or termination of programs (Box-Steffensmeier & Jones, 2004). The Kaplan-Meier survival estimates reported above are an example of basic event-history analysis, and the same approach is used in Essay II to compare how survival rates vary across programs with different target groups and objectives. In future work, more sophisticated event-history models may be applied to these data to link the likelihood of program reformation or termination to political and economic covariates. Such work might be of interest not only to scholars of ALMP but also to those interested more generally in the varying fates of government programs after enactment (e.g., Corder, 2004; Berry et al., 2010).

The second approach is to structure the data as panel data and analyze how a program-level outcome—for instance, program expenditure or the stock or flow of participants—changes over time in relation to covariates of theoretical interest. This approach is applied in Essay I, where I compare how enrollment in programs with different detailed characteristics changes under the watch of governments with different ideological compositions. Analyzing these program-level panel data requires slightly different techniques than those commonly used for country-level TSCS analysis, because the program-level panels are shorter and more unbalanced. Here, scholars may benefit from methodological recommendations provided in recent work in the field of corporate finance, where the data often have a similar structure (Flannery & Hankins, 2013).

Of course, in many cases, comparative scholars are primarily interested in studying variation in ALMP at a higher level than the individual programs. For such purposes, the program-level data on expenditures and participants can fairly easily be divided into categories and aggregated to the country level or higher. Essays I and II contain such exercises. However, while country-level analyses are oftentimes useful, we should be cautious about making comparisons between individual countries based on the data collected by the EU or the OECD. As stressed by Clasen et al. (2016) and discussed in Essay I, such comparisons may be distorted due to cross-country differences in reporting practices as well as the fact that programs operated by local governments are not covered by these databases. To mitigate this risk—well aware that it is not fully eliminated—I base all inferences made in the enclosed essays on dynamic models where only within-country variation is used to estimate the parameters.
A consequence of relying solely on within-country variation in estimations is that the time-span of the program-level data provided by the European Commission is not long enough to cover sufficient variation in certain slow-moving explanatory variables of interest. A case in point is the strength of corporatist coordination among the state, employers and unions; this is used as an explanatory variable in Essay III and it tends to vary only gradually in a cyclical pattern with peaks every 20 to 30 years (Jahn, 2016). In analyses of ALMP, we can achieve sufficient within-country variation in corporatism only by resorting to the longer but less detailed time-series of country-level ALMP expenditure data provided by the OECD. Thus, while the EU LMP database opens up the field to a number of new analytic approaches and makes it possible to create customized country-level indicators, it clearly complements rather than replaces existing sources of data in this field.

The inconclusiveness of comparative ALMP research

With the aforementioned data sources in mind, we may now turn to develop a more fine-grained yet testable theory about the ways in which partisan politics matters for ALMP. First, however, as a point of departure, this section presents a brief review of the current state of affairs in the comparative ALMP literature. For more-comprehensive reviews, see Essay I and especially Tepe and Vanhuyse (2013), Bonoli (2013), and Clasen et al. (2016).

As noted in the introduction, there is an overall lack of scholarly agreement about the determinants of ALMP in general and about the impact of partisan politics in particular. Still, at a basic level, most analysts tend to agree that ALMP to some extent can be viewed as a response to the pressures exerted on labor markets by the forces of deindustrialization and globalization (Katzenstein, 1985; Janoski, 1994; Martin & Swank, 2012; Bonoli, 2013). It has also been acknowledged that there is a significant congruence between the policy instruments that policymakers have introduced and the various strategies and recommendations that the EU and the OECD have adopted since the mid-1990s (Zeitlin, 2009; Weishaupt, 2011).

These factors have contributed to a stylized understanding of ALMPs as inherently technocratic policy instruments, that are subjected to extensive scientific evaluations, diffused through policy learning processes among international networks of policymakers and experts, and rolled out as a largely functionalist solution to various clearly defined labor market challenges associated with the post-industrial economy. This understanding is further supported by a number of studies observing that although national and local differences persist, there has been a general convergence among countries on the set of ideas, rules and instruments associated with the ‘activation turn’ of labor market policy (Eichhorst et al., 2008; Weishaupt, 2011; Bonoli, 2013).
In this common account, little room is left for ideologically motivated partisan conflict over ALMP, and indeed, several studies on panel data from OECD countries have found the governments’ ideological underpinnings to be unrelated to ALMP expenditure (Rueda, 2005; Franzese & Hays, 2006; Armingeon, 2007; Gaston & Rajaguru, 2008; Bonoli, 2013). These results, however, are markedly at odds with those from two other scholarly camps. Most early accounts of ALMP development in Western democracies view these policies as a creation of the agents of the working class (Esping-Andersen & Friedland, 1982; Janoski, 1990, 1994; Rothstein, 1996; Boix, 1998). In these accounts, which may largely be seen as adhering to the ‘power resources’ approach, unions and social democratic governments are more inclined than employers and right-wing governments to expand ALMP, because these policies strengthen labor as an organized social force by contributing to lower levels of unemployment. The view that social-democratic influence is conducive to public spending on ALMP is also supported by a number of panel data studies (Huo et al., 2008; Iversen & Stephens, 2008; van Vliet & Koster, 2011).

The power resources approach is challenged in the work of Rueda (2005, 2006, 2007), who proposes a more complex understanding of social democratic parties’ attitude toward ALMP spending. He argues that recent socioeconomic transformations have split the traditional social democratic constituency into two loosely defined groups—‘insiders’ and ‘outsiders’—who have partly clashing interests due to their differing status on the labor market. In this account, ALMPs do not favor the already employed and well-protected insiders, because while increasing the tax burden, they promote the entry into the labor market of outsiders who can underbid insiders’ wage demands. Because social democratic parties in post-industrial settings are more inclined to serve the interests of insiders—especially in environments where they are subjected to pressure from insider-oriented unions—these parties are unlikely to support, and might even oppose, ALMP spending (Rueda, 2007).

Further questioning the working-class bias of ALMPs, some scholars have argued that these polices—particularly so training programs, labor market services, and employment subsidies—may also (or indeed primarily) be to the benefit of employers (Mucciaroni, 1990; Swenson, 2002; Farnsworth, 2012). This would suggest that right-wing governments, which have closer ties to the business community, would be more favorable toward ALMP than the power resources theory predicts. In support of these alternative understandings of ALMP, a few studies have found a negative relationship between left-wing influence in government and public spending, on at least some categories of ALMP or at least in institutional environments where insiders have considerable influence on policy (Rueda, 2007; Vis, 2011; Tepe & Vanhuysse, 2013).

The studies referred to above have mostly treated all ALMP programs in equivalent terms, assuming that they are all governed by a similar political logic. A more recent wave of scholarship has begun to acknowledge more explicitly that different types of ALMP programs—such as training programs,
employment subsidies, and direct job creation programs—have different effects on individuals and on the labor market and that, consequently, they presumably vary with respect to how different political actors value them (Bonoli, 2010; Nelson, 2013; Tepe & Vanhuysse, 2013; Vlandas, 2013). However, while they do represent a sophisticated advance within the field, the joint results from these studies on the effect of left-wing influence on ALMP expenditure are as inconclusive as those in previous literature (see Essay I for a review).

In my view, the most plausible reason for these largely inconclusive results is that the plentiful variation in the programmatic design of ALMP programs has not received sufficient attention among comparative political economists. As mentioned above, the OECD expenditure data used to construct the dependent variables in most comparative studies may, at most, be disaggregated into a number broad policy categories. This level of empirical detail is likely insufficient for most analytic purposes, considering that theoretically oriented policy scholars have long noted that the distributional effect of labor market policy interventions are by no means pre-defined but instead depend on their detailed design with respect to targeting, duration, content, financing, and so on (e.g., Furåker, 1976; Bishop & Haveman, 1978; Katz, 1998). A general takeaway from this literature is that we need to take the programmatic variation in ALMP seriously—and I argue that if we do so, our understanding of the impact of partisanship and other political variables on ALMP design can be refined. Moreover, I argue that if we do so, we may begin to conceive of ALMP as a micro-interventionist multi-tool par excellence.

The multi-tool nature of ALMP

In what follows, I outline an analytic framework that disentangles ALMP programs along three politically salient dimensions: their targets, their intended outcomes, and their modes of production. Informed by this discussion, the subsequent section outlines a new theory about the role of constrained partisanship for the development of ALMP12.

A framework for the study of labor market transitions

A good way to start the discussion about the two first dimensions is by outlining a framework of labor market statuses between which working-age individuals may transition over the course of their life-time. Expanding on the long-standing work of labor economists (e.g., Marston et al., 1976; Shimer,

12Careful readers may notice some intentional similarities between the structure of the argument presented in the following sections and that presented in the introduction of Jane Gingrich’s (2011) book Making Markets in the Welfare State. Having comprehended Gingrich’s argument, one may never again conceive of public sector marketization as a one-dimensional phenomenon. My hope in this case is to be able to achieve something similar with respect to ALMP.
Figure 3. Six collectively exhaustive labor market statuses. For theoretical definitions, see text.

2012) and that of a group of political economists more recently gathered under the so-called Transitional Labour Markets (TLM) banner (e.g., Schmid, 1995, 2008; Gazier & Gautié, 2011), I propose a new framework with six statuses.

The point of departure for this framework is a classification scheme that has long served as the international standard for measurements of the population’s economic activity and that categorizes individuals (typically those aged 15–64) into three mutually exclusive and collectively exhaustive statuses: employment, unemployment, and economic inactivity (ILO, 1982).

People in employment are those who report a sufficient amount of work—typically at least one hour during a reference week—for pay, profit or family gain and those who are temporarily absent from their jobs. People in unemployment are those who are without work but who are currently available for work and seeking work. Combined, the employed and the unemployed make up what is referred to as the labor force, or equivalently, the economically active population. The remaining population are referred to as those not in the labor force, or equivalently, the economically inactive population. Importantly for the discussion that follows, the unemployment rate, according to international standards, refers to the number of unemployed as share of the economically active population, whereas the employment rate typically refers to the number of employed as a share of the total population.

To fully understand the politics of ALMP, I argue that we must recognize, more so than the traditional threefold framework allows for, the great heterogeneity of activities included in the broad categories of employment and eco-
nomic inactivity. With respect to employment, a large body of literature has identified a growing diversity of work arrangements that deviate from those of the ‘standard’ employment contract, including part-time or non-fixed employment, temporary contracts, self-employment, and agency work. A variety of terms have been used to refer to such arrangements, including alternative work arrangements, flexible working practices, precarious work, and permatemps (see Kalleberg, 2000). For our present purposes, it should be sufficient to divide the employed into two broad categories. Therefore, I denote full-time, permanent, and relatively well-paid employment as standard employment, and I label all deviations from that kind of arrangement as non-standard employment (Kalleberg, 2000; Eichhorst & Marx, 2015).

Second, among the economically inactive population, it is useful to distinguish three groups. The first is those who are not currently active because of attendance at educational institutions, such as secondary, tertiary, or vocational education (ILO, 1982). Because such activities tend to increase an individual’s future economic productivity, I refer to this status as productive inactivity. A second reason for economic inactivity is engagement in household duties, including care of the home and children (Hussmanns et al., 1990). Because of the reproductive nature of child-rearing, I refer to those among the economically inactive who are involved in care of children as being in re-productive inactivity. I refer to other homemakers, together with the remaining economically inactive population—including pensioners, rentiers, incapacitated, and youth not attending school (Hussmanns et al., 1990)—as persons in non-productive inactivity. Importantly, this group also includes persons who are not classified as unemployed because even though they are without work and currently available for work, they are not actively seeking work—most of these may be referred to as ‘discouraged workers’ (Elder, 2009).

The resulting framework, presented in Figure 3, includes six theoretically distinct labor market statuses. Inevitably, drawing the exact boundaries between these statuses involves several difficult decisions, partly because in practice, people may obviously divide their time between multiple activities (for instance, by being engaged in part-time employment and part-time education). However, for our present purposes, we can conceive of them as a set of mutually exclusive and commonly exhaustive statuses in which working-age individuals may reside and between which they may transition from one time to another in patterns that may be affected by ALMPs and other policies.13 Given the productive nature of education, a last useful distinction could be added to

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13 As exemplified by Schmid (2008, chp. 8), many policy instruments and labor market institutions besides ALMPs can be analyzed with respect to how they may affect the likelihood of performing certain labor market transitions through different pull and push factors. Examples from the micro-interventionist toolbox include the work-life balance policies (which are often meant to pull parents from re-productive inactivity to employment), procurement with social clauses that require new recruitment from the pool of unemployed, and, of course, tax credits for all kinds of activities. Also, certain ‘passive’ labor market policies, such as early retire-
the framework in Figure 3, whereby the two employment categories together with the productive inactivity category are referred to as growth-enhancing, or productive, labor market statuses, and the remaining three are referred to as non-productive.

Three disputed dimensions of ALMP design

Drawing heavily on the definition of labor market policy interventions employed by Eurostat (2013), we may define ALMP in relation to this framework as follows: Active labor market policies are public interventions in the labor market aimed at promoting individuals’ transition to, or retention in, productive labor market statuses, which can be distinguished from other general employment policy interventions in that they act selectively to support people who are unemployed, economically inactive, or employed and at risk of losing their jobs. As suggested above, this framework can be used to understand two sources of variation in ALMP design, the first of which is the group the program targets.

Targeting

In line with Rueda’s (2006) influential claim that ALMPs unambiguously benefit outsiders, comparative research on ALMP has largely neglected that ALMP programs may in fact be targeted very differently (for a recent exception, see Gingrich & Ansell, 2015). Indeed, programs may target any combination of groups in the six labor market statuses discussed above. The EU LMP database contains indicators on whether a program targets people in employment, unemployment, and/or economic inactivity, which can be used to illustrate this point. These data, presented in a Venn diagram in Figure 4 for all observations of labor market measures between 1998 and 2013, show that for almost nine out of ten programs, the target group includes people who are registered unemployed. Perhaps more surprisingly, nearly one in four programs target people who are employed but at risk of losing their jobs. Examples of such programs are the so-called short-time work (STW) programs that many European governments rolled out during the financial crisis to subsidize work time reduction and training for workers who would otherwise run the risk of dismissal (Hijzen & Venn, 2011) and programs that serve to sustain the employment of workers with reduced working capacity.

Figure 4 furthermore shows that for four out of ten programs, the target group includes people in inactivity, or more precisely, those “who are not in employment or where registration with the PES [Public Employment Service] is not a prerequisite for participation” or who are “unemployed (but do not qualify as registered unemployed), underemployed or inactive” (Eurostat, 2013, p. 40).
Figure 4. Target groups of ALMP programs in the EU-27 and Norway, 1998–2013. Based on 9,180 program-year observations in categories 2–7. Percentages sum to 100.

45). A case in point here is the recruitment subsidy *Nystartsjobb* established in Sweden in 2007. Eligible participants include not only the registered unemployed but anyone who has been out of employment for a long time (typically for more than 1 year) or who is a newly arrived immigrant (European Commission, 2015a). Although, as evidenced by Figure 4, most programs for people in economic inactivity are targeted rather broadly, some of them exclusively target narrower groups. Ongoing examples include a program in Italy that provides tax incentives for the employment of people in custody or in prison (*Inserimento lavorativo dei detenuti*) and two German programs that provide means-tested support to youth with economic or social disadvantages to help them complete vocational training (*Berufsausbildungsbeihilfe* and *Ausbildungsbegleitende Hilfen*).

The targeting dimension may be useful for understanding how ALMP programs are treated in the political sphere. For instance, how programs are targeted tends to be related to how much resources are devoted to them and how vulnerable they are to termination. Two examples of this may be found in Essay II, which examines in some detail the design and outcomes of employment subsidy programs across Europe. First, programs that specifically serve to maintain the employment of workers with disabilities tend to be nearly three times as generous and considerably less vulnerable to termination than other programs. Second, among the more short-lived programs which tend to be rolled out to counteract temporary labor demand shortages during economic downturns, subsidies that specifically target ‘insiders’—such as the aforementioned short-time work programs—are, on average, allocated approximately 60 percent more spending per participant than programs that are more broadly targeted at people in unemployment and inactivity.
The importance of considering the target group of ALMP programs becomes even clearer if we bear in mind that whatever positive effect a program potentially has on its target group may come to the detriment of people outside the target group. Such equilibrium effects may appear, for instance, if a job search assistance program or an employment subsidy program increases the employment prospects for its participants but at the same time makes it more difficult for non-participants to find or retain a job (Crépon & van den Berg, 2016). In relative terms, this would increase the benefit of the ALMP program to its target group as compared to other groups.

**Intended outcomes**

A second source of variation in ALMP programs concerns the intended outcome of the participation, or, to put it in relation to the framework in Figure 3, the labor market status(es) to which the participant is intended to go during or after his or her participation. Naturally, the objective of most programs is to enable participants to enter, or remain in, employment. In practice, however, programs are more or less specific about the intended destination. The short-time work programs, for instance, are specifically oriented toward employment, as they serve to prevent workers from flowing out of employment into unemployment or inactivity. Similarly, employment subsidy programs typically involve the establishment of a formal employment contract, which typically means that the participant’s unemployment spell is broken or suspended and that his or her labor market status is automatically switched from unemployment to employment—at least for the duration of the program. Another possible switch of status, mostly relevant for training programs, is from unemployment to (productive) inactivity. For approximately 70 percent of the interventions observed in the EU LMP database, participation implies a broken or suspended unemployment spell (European Commission, 2015a).

Some employment subsidies are intended specifically to promote standard employment. A case in point is the so-called ‘star contract’ introduced in Spain in 1997. As discussed in Essay III, the program grants employers a 40–60 percent reduction in social security contributions during the first two years of employment in return for signing a permanent contract with a disadvantaged worker (Tompson & Price, 2009). Other programs, however, are much less definite about the intended destination of participants. Good examples are so-called ‘work first’ programs targeted at unemployed and inactive individuals to initiate or increase job search activity, often as a requirement for maintaining cash benefits. Compared to training programs and private sector employment subsidy programs, ‘work first’ programs tend to channel people into non-subsidized employment more quickly, but their long-term effects on employment and earnings tend to be more limited (Card et al., 2015). Expressed in terms of the framework in Figure 3, ‘work first’ programs are more likely than other programs to channel people into non-standard employment.
Here, it may be noted that to the extent that job search assistance programs target people in inactivity, and yet these participants fail to find a job, program participation may result in a transition from inactivity to unemployment. This implies that some ALMP programs might, counter-intuitively, increase the unemployment rate. Another important factor in this context is the definition of a suitable employment offer, that is, what occupations, wage levels, and working conditions a benefit recipient has to accept in order to avoid being sanctioned (Knotz, 2016). The stricter these requirements, the more likely it is that people will transition from unemployment or inactivity to non-standard employment.

Modes of production
The third key dimension of variation has to do with the involvement of different actors in the organization and the implementation of ALMP programs. A first matter here concerns who is responsible for the administration and delivery of the publicly mandated interventions. As elaborated by Weishaupt (2011, pp. 63–66), this responsibility may be divided among multiple levels of government; it may be shared with employers and unions through their involvement in management, supervision or monitoring; and it may be delegated to various external providers, whether for-profit or not-for-profit. A survey conducted on behalf of the European Commission in 2014 reveals that no one organizational model dominates among the European countries.

In some countries, the Public Employment Service (PES) is part of a ministry (e.g., Ireland and the United Kingdom) or a government executive agency (e.g., Hungary and Sweden), with little or no involvement of employers and unions. In other countries (e.g., Austria, Belgium and France), the PES is an autonomous public body governed with the direct participation of the social partners. With respect to private providers, virtually all PESs report that they outsource training to municipalities or private organizations, whereas in only a few cases (e.g., Sweden and the United Kingdom) are private providers involved in the complete case-management process (Manoudi et al., 2014). Australia and New Zealand are two notable cases where public services have been fully outsourced to private, for-profit agencies (Weishaupt, 2011).

In an analysis of recent PES reforms across Western Europe, Weishaupt (2010) shows that the lack of agreement on a ‘best-practice’ model for the organization of ALMP delivery—despite the widespread diffusion of New Public Management ideas—is at least partly due to the highly political nature of public sector reform, which makes such reforms conditional on the outcomes of struggles between powerful actors. In short, Weishaupt found PES reforms to be characterized by “‘politics as usual’” (2010, p. 480).

Research has shown that who is involved in managing labor market programs may matter for which programs are put in place. For instance, it has been found that the involvement of unions and employers in the administration of the PES is conducive to the introduction of short-time work programs (Weishaupt, 2013). This finding is supported by those in Essay II, which compares how em-
ployment subsidy programs with different distributional properties are used in different parts of Europe. The analysis shows that in Continental and Southern Europe, where social partner involvement in PES management is most prevalent, the share of the total employment subsidy portfolio devoted to short-time work and similar programs is larger than elsewhere. The distributional profiles of these programs tend to differ from those of most others in the sense that they target comparably well-established workers and that they specifically benefit employers by making it easier for them to retain skills during economic downturns (Heyes, 2013; Thelen, 2014).

A second organizational matter concerns the participation of employers and unions in the actual production of programs. As elaborated in Essay III, some types of ALMP programs can be produced unilaterally by the state through the PES and its sub-contracted service providers. Institutional training programs arranged at a school or a training center, job search assistance programs, sheltered employment programs for the disabled, programs for direct job creation in the public sector, and start-up incentives are examples of such programs. In contrast, recruitment subsidies, short-time work, apprenticeships and similar programs that are partly or fully located at the workplace can only be produced to the extent that employers are willing to provide the required resources, i.e., employment opportunities or access to work facilities and supervision. Typically, in these types of programs, a client is assessed by a caseworker and referred to a suitable position with an employer who agrees—sometimes after mandatory consultation with a union or a work council—to take on that specific client. In exchange, the employer receives a benefit from the state, typically cash payments or exemptions from obligatory social contributions. To use the terminology from Scharpf’s (1997) work on game theory, these types of programs involve joint production, meaning that the contribution of two or more actors is necessary for reaching the desired outcome.

A theory of constrained partisanship and ALMP

This section outlines a refined theory about the role of partisanship for ALMP that brings together the insights generated by the three essays and applies it to the framework above. The arguments draw on long-standing research showing how distinct preferences of political parties affect the design of economic policy and public service delivery. Yet, it extends these discussions by applying them to the multi-dimensional conception of ALMP outlined above and by taking into consideration a number of important, albeit not determinative, constraints under which governments in the advanced industrial democracies operate (cf. Gingrich, 2011; Beramendi et al., 2015).

In line with most previous work on partisanship and economic policy in the advanced industrial democracies, I suggest that the primary conflicts shaping ALMP stand between parties on the left (i.e., social democratic parties, other
left parties, and most green parties) and on the right or center-right (i.e., liberal, conservative, and Christian democratic parties) of the political spectrum. Although the policy preferences of these two ‘families’ are by no means constant across time or space, parties within the two groups are related to each other by their similar core ideological stances, which are in turn linked to their specific core constituencies.

Notwithstanding a gradual reconfiguration of the electoral constituencies of the parties on the left in recent decades, whereby traditional working-class voters have been partly substituted by middle-class voters with occupational ties to the public sector (Gingrich & Häusermann, 2015), these parties (still) typically derive a larger share of their support from voters who are relatively lacking in (all sorts of) assets, including secure employment (Marx, 2014; Rovny & Rovny, 2017). They also tend to have stronger ties to trade unions. Parties on the right, by contrast, tend to attract the vote primarily from workers with higher qualifications and more-secure employment, and from people who are asset holders, including the business community (Boix, 1998; Marx, 2014; Rovny & Rovny, 2017). More often these parties have cultivated a close relationship with employers and their associations (Cioffi & Höpner, 2006).

While the distinct characteristics of parties on the left and right translate into some rather different distributional preferences, parties also have some crucial preferences in common. Most importantly, following Boix (1998) I argue that first and foremost, all major parties on both flanks prefer economic policy that maximizes economic growth. Growth tends to increase the electoral strength of incumbent governments by raising the disposable income of their constituents and of other prospective voters\(^{14}\). Thereby, it serves as an “unavoidable requirement” to be met by any major vote-seeking party (Boix, 1998, p. 5). In the second place, governments make distinctive economic policy choices depending on their expected distributional outcomes. Below, I argue that with respect to ALMP, the key partisan divides concern parties’ preferences for unemployment, and for the involvement of non-state actors in policy production.

However, while political parties are the key actors driving ALMP reform, their policy choices are not made in an unconstrained world. Any government entering into office in an advanced industrial democracy inherits a sizable portfolio of policy programs, each of which have a specific legacy and a specific group of supporters who exert active or latent pressures that policymakers have to navigate alongside those from other stakeholders (Pierson, 1993, 2001; Häusermann et al., 2013). In the case of ALMP, the support coalition is not necessarily limited to, nor does it even primarily consist of, those who are in the program’s target groups. As argued by Bonoli (2013), people who view them-

\(^{14}\)An enormous literature has established the existence of a strong and important effect of economic performance on government support in the advanced industrial democracies; see Lewis-Beck and Stegmaier (2013) for a recent review.
selves as net contributors to social security systems, including employers and better-off workers, oftentimes view ALMP programs as win-win solutions to social problems, since they may improve the well-being of their target groups while reducing reliance on publicly funded transfer programs.

Indeed, while comparative public opinion data on ALMP are scarce, findings from the ISSP’s Role of Government surveys reported in Figure 5 suggest that voters generally have a favorable attitude toward state intervention in the economy and the labor market. When, in 2006, respondents from 10 of the countries analyzed above were asked for their opinion on some things the government might do for the economy, they tended to lean more strongly in favor of than against supporting industrial development and financing the creation of new jobs, whereas the opposite was true for the non-interventionist options to reduce government spending and regulation. These attitudes might be part of the explanation of the resilience of ALMP as well as micro-interventionist policies more broadly. At the same time, because the majority of voters will rarely, if ever, be personally affected by these interventions, most of them reasonably have little stake in their detailed settings, leaving politicians a certain room for maneuver.

Second, the decisions politicians make are likely to be influenced by structural and cyclical pressures from the real economy. As already noted, the general decline of employment in the manufacturing industry and the increasing international competition in the wake of globalization are often viewed as drivers of public expenditure on ALMP (Katzenstein, 1985; Janoski, 1994; Bonoli, 2013). Similarly, during recessions, when unemployment and inactivity rates rise, demand for labor market interventions tend to increase (Huber & Stephens, 2001). Nevertheless, such pressures are not determinative; the extent to which they are addressed varies between countries with different institutional legacies. For instance, findings from Essay II suggest that the extent to which employment subsidies are being used to address business cyclical fluctuations varies across countries with different ‘welfare regimes’, in line with their distinct institutional legacies (Esping-Andersen, 1990, 1999). Countries with a social democratic welfare regime use them to a greater extent to mitigate cyclical labor market problems than do countries with a conservative regime, where ALMP financing is more pro-cyclical in nature, or a liberal regime, where ALMP is more limited and more strongly oriented toward tackling the structural problems of the most-disadvantaged workers.

Third, politicians are likely to be influenced by policy experts in the domestic and international bureaucracies. Notably, there is compelling evidence that technocrats at the European Commission and the OECD have played a major role in defining and consolidating the set of economic policy instruments that

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15Comparisons with data from earlier survey waves, available for six of these countries, suggest that these patterns are reinforcing over time. Whereas the attitudes for the two interventionist options have seen a slight upward trend since 1990, opinions regarding spending cuts have become more negative since the mid-1990s (ISSP Research Group, 2008).
are available for consideration by contemporary policymakers, not least in the field of ALMP (Zeitlin, 2005, 2009; López-Santana, 2006; Weishaupt, 2010, 2011). Nevertheless, the extent to which policy experts constrain politicians must not be overestimated. As argued by Lindvall (2009), that experts have considerable impact on the selection of policy instruments does not necessarily imply that they also influence the formulation of policy goals, at least not in fields (such as ALMP) where, in practice, policies in one area of expertise are ‘nested’ with policies in other areas and where policy goals tend to be debated in the public domain. Moreover, as observed by López-Santana (2006, p. 494) with respect to ALMP, while domestic policy-makers “tend not to move outside the policies recommended by the EU”, they can still “maneuver within the multiple policy configurations” that are promoted internationally and subsequently design policies in very different ways. Taken together, these points suggest that despite increased influence of experts over the choice of policy instruments, the influence of politicians over policy goals as well as the detailed settings of policy instruments is not necessarily compromised (cf. Hall, 1993).

Thus, notwithstanding pressures from the electorate, the economy and the experts, politicians do have some scope to design ALMP differently according to partisan considerations. Because of their different preferences for unem-
ployment and for the involvement of non-state actors in policy production, they tend to make different trade-offs with respect to the three dimensions discussed above.

**Targeting**

First, consider targeting, for which I argue that the primary partisan conflict derives from parties on the left having a stronger aversion to unemployment than parties on the right. As elaborated in Essay I, the reason for this is twofold. First, the core constituents of the left are overrepresented among the losers of unemployment, because it disproportionately affects workers at the low end of the labor market and because it weakens the bargaining position of unions vis-à-vis that of employers (Hibbs, 1977). Second, due to issue ownership, left-wing governments are often found to be penalized particularly harshly for unemployment by the voters (e.g., Brug et al., 2007).

In Essay I, I test the implications of this theory on ALMP design by making a distinction between the programs that exclusively target people in employment and/or unemployment—whom I refer to as the ‘core’ of the labor force—and those programs that target, also or exclusively, people in inactivity (cf. the upper-right circle in Figure 4). Drawing on the work of Furåker (1976), I hypothesize that left-wing governments are more inclined than right-wing governments to expand programs exclusively targeted at the unemployed and/or the employed at risk of dismissal, because these programs are more likely intended specifically to reduce or prevent unemployment.

In contrast, I expect programs that are targeted also, or exclusively, at people in inactivity to be less subjected to partisan conflict, because they serve, also or exclusively, to increase labor supply by making otherwise inactive people take up work or at least begin searching. If such programs succeed, growth—which, as already mentioned, tends to be a highly prioritized goal for all governments—might increase both directly, through increased output, and indirectly, if the new employment mitigates bottlenecks caused by labor shortages. Moreover, these programs might have side effects, such as increased tax revenue and lower caseloads in other, more expensive social security programs, which are attractive to all governments, irrespective of their ideologies or allegiances. Testing these hypotheses on program-level panel data from the EU LMP database, I find strong evidence for both.

Importantly, these findings reconcile the diverging assumptions in the ‘power resources’ and ‘insider/outsider’ approaches about ALMP, by showing that programs can be used both to strengthen the position of organized labor by reducing or preventing unemployment, and to promote the entry of ‘outsiders’ into employment. These findings are also consistent with a related argument by Gingrich and Ansell (2015) that right-wing governments are more inclined to increase public spending on ALMP in those specific institutional contexts where such spending is more likely to target individuals outside the labor force.
Intended outcomes

Given the political salience of working arrangements, employment levels and unemployment levels, there are reasons to expect that the second design dimension also accommodates considerable partisan conflict. First, given that governments relatively easily may—and do, as exemplified by Sengenberger (2011, p. 84)—adjust program settings so as to mechanically alter formal unemployment rates, these settings should be important for understanding labor market policy-making as well as, possibly, the outcomes of these policies. In Essay I, I approach this question by testing another observable implication of the argument about partisan differences in unemployment aversion, namely, whether left-wing governments are more prone than right-wing governments to expand programs that, other things being equal, break the unemployment spell. In support of this theory, I find that left-wing influence is positively associated with the size of such programs, while it is (insignificantly) negatively related to the size of programs that maintain their participants’ labor supply.

Second, parties tend to differ in their views of what constitutes acceptable employment conditions. In a recent study of party positions on non-standard employment in four countries with high incidence (Germany, France, Italy, and Spain), Picot and Menéndez (in press) found that these positions follow a left-right distribution. Parties on the left (especially left-libertarian parties) are more vocal proponents of diminishing the gap between standard and non-standard forms of employment, whereas parties on the right are less vocal and more often frame non-standard employment positively. In that vein, a hypothesis for future research is that left-wing parties have a stronger aversion to programs that are more likely to channel participants into non-standard employment. While the EU LMP data are not very useful for distinguishing programs based on this characteristic, the country-level data analyzed by Knotz (2016) on what working conditions et cetera a benefit recipient has to accept in order to avoid being sanctioned could be used for such tests.

Modes of production

Finally, I argue that there is a partisan component in the choice of mode of production of ALMP programs. Drawing on the aforementioned distinction between unilateral programs and joint programs, I argue that the latter type is particularly likely to bring substantial economic benefits to firms in return for their involvement. Employment subsidy programs, for instance, oftentimes reduce wage costs for hired workers by as much as 60–80 percent, and as argued in Essay III, employers tend to prefer them over unilateral programs.\(^{17}\)

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\(^{16}\) As noted by Sengenberger (2011, p. 85), such artificially created differences “impair not only the comparability of national unemployment rates but also that of the internationally standardized rates because they likely affect respondents’ replies in household surveys”.

\(^{17}\) As elaborated in Essay III, this is not to say that unilateral programs are never in the interest of employers—only that because the benefits of joint programs tend to be more certain, more tangible, and more immediate, these tend to be valued higher.
Consequentially, because employers generally have closer ties to the right, these parties tend to have stronger incentives than those on the left to specifically prefer joint programs over unilateral programs. Moreover, as argued by Gingrich (2011), involving non-state producers in the production of social services is a way for the right to reduce the role of the state and strengthen private interests that typically support right-wing policy. For the left, in contrast, we may expect that the mode of production is less salient. On the one hand, joint programs are generally found to be slightly more effective than most unilateral programs (Kluve, 2010; Card et al., 2015); on the other hand, the left may view unilateral provision as a strategy to sustain support for public services by tying participants (as well as caseworkers) to the public sector (cf. Gingrich, 2011).

Recent examples from Sweden and the United Kingdom, elaborated in Essay III, illustrate how these conflicts may play out. In Sweden, the Confederation of Swedish Enterprise and the Conservative party recently emerged as the most vocal defenders of the extensive employment subsidy program Nystartsjobb when the left-wing coalition government announced tightening in 2015. In the United Kingdom in 2009, the Labour government introduced the Future Jobs Fund—a large job creation program targeted primarily at the public sector—as part of its response to the financial crisis. The fund, however, was terminated shortly after a new center-right coalition government assumed office in 2010 and was replaced by the smaller Work Programme, in which contracted labor market service providers—predominantly from the private sector—deliver services to jobless clients under a ‘black box’ commissioning model.

Additional evidence from analyses of long-term time-series–cross-section data on ALMP from 21 OECD countries is provided in Essay III, which reports that, on average, partisanship is related to how ALMP spending is divided between joint programs and unilateral programs, yet is unrelated to the total level of spending. However, Essay III furthermore finds that the nature of the partisan conflict varies across institutional environments. Specifically, it argues that the presence of strong corporatist arrangements—meaning centralized organizations of employers (as well as unions) and a sustained interaction regarding policy issues between these organizations and the state—facilitates the joint production of ALMP programs by reducing the transaction costs involved in joint production. Consequently, it is primarily in corporatist environments that the mode of production of ALMP becomes a partisan issue. When corporatist arrangements are weak or absent, right-wing parties find it more difficult to satisfactorily produce ALMP, and hence, from their point of view, the benefits of ALMP relative to other policies are smaller. Evidence from the longitudinal analyses indicate that governments dominated by left-wing parties spend more on ALMP only in non-corporatist environments.
The way forward

The theoretical framework outlined above and the three essays that follow provide some new answers to long-standing questions about the role of different actors in the development of ALMP, in a way which may hopefully inspire future closer examinations of the politics of other micro-interventionist policies as well. However, the research reported in this dissertation not only provides answers but it also raises new questions. I conclude the introductory essay by highlighting a few of the tasks that remain to be addressed by future research. These include exploring other potentially important dimensions of ALMP, examining the causal strength of the arguments presented here, and developing an explanation for the rise in micro-interventionism.

Are there other important dimensions of ALMP?

To be sure, ALMP programs vary in other respects than those discussed so far; in terms of how much they contribute to human capital accumulation, how much resources are invested in each participant, how they are financed, and so on. Are targeting, intended outcomes, and modes of production a sufficient selection of dimensions for understanding the politics of ALMP? And is the set of political actors discussed above—parties from the left and the right and the organized interests that support them—largely exhaustive, or is some important player omitted? Let us briefly address these questions in turn.

First, distinctions based on human capital investment content clearly figure more prominently in previous typologies of ALMP programs and activation regimes (Torfing, 1999; Barbier, 2005; Bonoli, 2010). Moreover, evaluations find systematic differences between labor market training programs and other types of ALMP programs in terms of how successful they are in promoting employment outcomes, especially in the medium and long run (Card et al., 2015; Crépon & van den Berg, 2016). However, the extent to which this distinction should matter for the politics of ALMP is less clear.

Some view training programs as distinctly leftist interventions because of their supposedly equality-enhancing effects (Boix, 1998). Others note that these programs paradoxically tend to be more beneficial to those who are already more skilled (Bonoli, 2012). Indeed, Card et al. (2015, p. 27) find that “disadvantaged participants appear to benefit more from work first programs and less from human capital programs”. And, as noted above, some authors have argued that training programs might be of particular interest to businesses (Swenson, 2002; Farnsworth, 2012). These points suggest that the partisan drivers of human capital accumulation in ALMP are not clear-cut—and previous research is indeed inconclusive about the relationship between partisanship and training expenditures (see Essay I).

In my view, a tentative hypothesis for future research is that the human capital investment content of ALMP is determined more by non-partisan assessments of the needs of the target groups and of their prospective employers and
is thus likely to be driven less by partisanship and more by factors related to demography and industry (see Vlandas, 2013). In any event, it seems plausible that the question of what program content should be provided comes second only to the arguably more contentious question of whom to provide it to.

On that note, it should be made clear that the six labor market statuses outlined above serve only as a starting point for the analysis of the politics of ALMP targeting, as a number of potentially salient target groups obviously cut across labor market statuses. Of particular interest for future research is the treatment of three groups: youth, women, and immigrants. Each of these groups face distinctive challenges on the labor market—yet the nature of these challenges tend to vary across countries with different institutional configurations (Breen, 2005; Cipollone et al., 2014; Kogan, 2006). In this context, the politics of ALMP targeting deserves further attention, not least because there is evidence that youth, women, and immigrants tend to be affected differently from other groups by different types of ALMPs (Caliendo & Schmidl, 2016; Bergemann & Van den Berg, 2008; Butschek & Walter, 2014).

Although information on participant characteristics is in large part lacking in the EU LMP database, there are some data that could be used to examine how the enrollment of youth and women in ALMP programs varies across countries and over time. For instance, a glance at six countries for which data are nearly complete finds noticeable differences in terms of the relative targeting of these two groups. In 2012, the share of total ALMP participants younger than 25 years old was considerably lower in Finland, Norway, and Sweden (17, 18, and 12 percent, respectively) than in Austria, Germany, and France (35, 33, and 31 percent, respectively). Women were over-represented in Austria, Finland, and Norway (52, 53, and 53 percent, respectively) but under-represented in Germany, France, and Sweden (43, 46, and 44 percent, respectively). An important task for future research is to examine what factors may account for these and similar variations.

Second, as with all other public services, the question of how ALMP programs are financed is likely of great importance for fully understanding their distributional properties (Åberg, 1989; Ansell, 2010). As discussed in Essay II, countries vary considerably with respect to what portions of ALMP expenditure are financed by general government funds, social security funds, and resources from the European Social Fund (ESF) (Manoudi et al., 2014). These differences reasonably affect which actors the distribution of resources de facto takes place among (i.e., between taxpayers and beneficiaries, between workers/employers and beneficiaries, or between the EU and beneficiaries), and they also likely affect the room for governments to maneuver.

The latter point is discussed briefly in Essay II. There, I show that in the ‘Bismarckian’ countries in Continental Europe, in which social security funds tend to be an important source of funding of employment subsidy programs, a larger share of such funding is devoted to programs that target insiders. This is consistent with the notion that according to the insurance-based logic innate in
such funds, long-time contributors (i.e., insiders) are entitled to better access to their services. Contrastingly, in countries in Southern, Central and Eastern Europe, where ESF co-financing is particularly prevalent, subsidies are more often designed to promote the recruitment of specific categories of outsiders, clearly in line with the EU priorities that govern the ESF. However, these are merely cross-country patterns, and since financing regimes show little variation over time, it is difficult to disentangle this factor from other country-specific factors. These difficulties notwithstanding, the financing dimension warrants further attention in future frameworks.

The same goes for the role played by the networks of national and international experts in shaping policy priorities and designs. As shown in the work of Zeitlin (2005, 2009), Weishaupt (2011) and others, processes of social learning and ‘puzzling’ in such networks appear to have contributed to shifts in policy orientation and thinking among national policymakers and to have triggered ALMP reforms across the EU and OECD. Still, the key finding from this dissertation is that the process of ‘puzzling’, however important for establishing ALMP as an accepted part of the micro-interventionist toolbox, has not crowded out the opportunity for ‘powering’ on the part of politicians and other political actors with conflicting interests (cf. Heclo, 1974). In the words of Hall (1993, p. 292), such a finding “cautions us against positing too rigid a distinction between ‘politics as social learning’ and ‘politics as a struggle for power’”. Exploring how the two types of processes interact appears to be a more promising endeavor for future research.

*Can the causal inferences be strengthened?*

Another task for future research is to explore new ways to strengthen the causal arguments about partisanship advanced throughout this dissertation. Unfortunately, the causal effects of partisan politics on economic policy in a comparative setting are inherently difficult to identify. In models of country-level economic policy, variables that measure government ideology cannot generally be treated as exogenous, because of the possibility of reverse causality through policy feedback effects as well as the risk of unobserved confounders. There are few variables that can reliably be used as instruments for government ideology, and there are few opportunities to exploit natural experiments or regression discontinuity designs when studying macro data for relatively few OECD countries over relatively short periods (Potrafke, 2017). The research reported here makes two important first contributions by developing necessary theories and concepts and by using dynamic panel-data analysis to examine how policy develops under the reign of governments with different party compositions. However, as data availability increases, so should the aspirations among scholars of partisan politics to advance stronger causal claims.
What may account for the rise of micro-interventionism?
This essay intentionally omits the question of what factors may have caused the rise of micro-interventionism, as it falls outside the scope of this doctoral project. However, anticipating such an endeavor, let me make just a few comments about the ways in which the arguments outlined above speak to some of the dominant approaches to explaining economic policy development as they currently stand.

Two remarks can be made with respect to the literature concerned with how economic policy is influenced by the diffusion of ideas and practices promoted by policy experts affiliated with international organizations such as the EU and the OECD (McNamara, 1998; Zeitlin, 2005, 2009; Weishaupt, 2010, 2011). First, drawing on Hall’s (1993) distinction among the three central variables of policy-making, the discussion in this essay opens up for the possibility that the impacts of these factors differ among the formulation of policy goals, the choice of policy instruments, and the settings of these instruments. As noted above, Lindvall (2009) has nicely exemplified how, in complex fields of economic policy such as these, experts may have influence over the choice of instruments without having influence over the formulation of policy goals. The discussion above suggests that politicians may also operate on the level of settings or by altering the weights of the instruments in a policy portfolio according to their own preferences. This is admittedly not an entirely novel observation (cf. López-Santana, 2006), but hopefully the emphasis put here on the potential distributional effects of such changes may help to advance future theory development that takes this point to heart.

Second, it is possible that the observed trends have been, in part, facilitated by a growing diversity of recommendations stemming from these international organizations. As noted by both Jenson (2012) and Hemerijck (2012), whereas in the 1980s, the OECD was a firm supporter of neo-liberal policy prescriptions, by the mid-1990s, it had—alongside the EU and even the World Bank—changed track and rediscovered the potential benefits of active state interventions. Since then, the EU and the OECD have published recommendations and guidelines that embrace a wide variety of micro-interventionist policies, including ALMP (European Commission, 1997; OECD, 2006), work-life balance policy (European Council, 2002; OECD, 2007, 2011), horizontal industrial policy (European Commission, 2005; Warwick & Nolan, 2014), and strategic procurement (European Commission, 2010; OECD, 2016). Moreover, as noted by Cameron (2012) and Heyes (2013), at the outbreak of the financial crisis, the European Commission was quick to endorse both discretionary fiscal stimulus and the expansion of subsidized work-time reductions through short-time work.

This is not to suggest that interventionism is the only game left in town in Brussels, Paris, and Washington. Both the OECD and the European Commission continue to recommend liberalizing reforms, for instance, with respect to labor law and social policy in some Member States (de la Porte, 2009; Pochet
In addition, the Stability and Growth Pact of the EU, as well as the more recently established Fiscal Compact for the Eurozone countries, has prompted budgetary restraints that may effectively narrow the scope for interventions in these countries (Hemerijck & Vandenbroucke, 2012).

My point is simply that the growing diversity of policy orientations endorsed by international experts may alter the way in which these impact national policymaking. One mechanism—and possibly the most important (Zeitlin, 2009)—through which such an impact may play out is to legitimize reform by like-minded national politicians, what Zeitlin (2005) calls ‘creative appropriation’ by domestic actors. If it were the case—purported, for instance, by Harvey (2005, p. 3)—that neo-liberalism is “hegemonic as a mode of discourse” among influential actors in key state institutions, think tanks, and international organizations, the expected outcome of such creative appropriation is clear. However, as the neo-liberal hegemony, if ever there was one, appears to be broken, a wider variety of policymakers may be able to find an ‘ideational fit’ between their own preferred policies and those endorsed by international experts.

A related set of theories view the development of at least some of the micro-interventionist policies as the result of ‘social learning’ among policy-makers on society’s behalf about how economic and social challenges can successfully be met. Drawing on Heclo’s (1974) famous argument that policy-making is not only a process of ‘powering’ but also of ‘puzzling’, Bonoli (2013, pp. 56–60) has suggested that the convergence on active social policy may be understood in part as the outcome of a long process of experimentation with various imperfect policy options that has eventually resulted in a widely acceptable compromise between the protection policies preferred by the left and the non-interventionist approach preferred by the right. Even Boix (1998), who argued that left-wing and right-wing parties prefer markedly different degrees of interventionism in their respective strategies for coping with deindustrialization and globalization, did not rule out the opportunity for social learning. He argued that if either strategy is found to be “inherently flawed” and “unable to respond adequately to the pressures of competitiveness and technological change”, convergence on the other one may be the outcome (Boix, 1998, p. 39).

Similarly, with respect to social tax expenditures, Howard (1997, pp. 8; 190) argued that being seen as a “less bureaucratic alternative to government regulations or direct expenditures”. STEs have emerged as an attractive second-best option to politicians on the right who have “accepted the idea that governments should provide certain goods and services”. And it now appears that in many places politicians on the left have begun to accept and adopt STEs as well.

Are the observed trends an indication that the advanced industrial democracies are about to find a commonly agreed-upon solution to the economic policy puzzles of the post-industrial era? On the one hand, the expansion of micro-interventionism could indeed be seen as representing a ‘re-embedding’ of the international markets in a new domestic social compact and thus as a movement toward a new version of the compromise of ‘embedded liberalism’ that Ruggie
observed in the OECD countries during the postwar era. On the other hand, even the postwar compromise, as Ruggie pointed out, in fact accommodated a considerable degree of negotiation between competing interests about the objectives and orientation of domestic interventionism. Similarly, it is clear that if it is the case that a new equilibrium is emerging based on micro-interventionist policies, it has not brought an end to distributive struggles about their specific applications.

Consequently, any theory that is devised to explain the observed rise of micro-interventionism must be able to account for a growing agreement on policy instruments as well as a growing disagreement on their specific applications. However, in my view, these two developments may very well go hand-in-hand. The more constrained and consolidated the overall set of instruments is, the greater are the incentives of incoming politicians—asking themselves where to “go from here” (Heclo, 1974, p. 16)—to find creative ways to ‘re-purpose’ these policies by re-calibrating their settings or their budgetary weights in order to better serve the goals of their particular constituents instead of facing a difficult and costly process of dismantling them (cf. the concept of conversion in Thelen, 2004; Hacker et al., 2015).

Moreover, as public resources channeled to a particular policy field expand—which has been the case not only for the micro-interventionist policies but also for the increasingly complex fields of pensions and health (Adema et al., 2014)—there might be all the more reason for politicians to modify the policies in that field so that, at least on the margin, more resources flow toward their constituents. If it is generally true that “new policies produce new politics” (Schattschneider, 1935, p. 288, cited in Pierson, 1993), then perhaps we should also generally expect that more and more-sophisticated policies produce more and more-sophisticated politics. This makes it increasingly important for comparative scholars to expand their scope of inquiry beyond the choice of policy instruments and turn their attention to the politics of the detailed settings of these instruments.

The three essays on ALMP that form the remainder of this dissertation serve to do precisely that, focusing on one key multi-tool in the micro-interventionist toolbox. Using a similar approach to analyze other aspects of the growing ‘Swiss Army State’ appears to be a both fruitful and important avenue for future comparative research.
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A doctoral dissertation from the Faculty of Social Sciences, Uppsala University, is usually a summary of a number of papers. A few copies of the complete dissertation are kept at major Swedish research libraries, while the summary alone is distributed internationally through the series Digital Comprehensive Summaries of Uppsala Dissertations from the Faculty of Social Sciences. (Prior to January, 2005, the series was published under the title “Comprehensive Summaries of Uppsala Dissertations from the Faculty of Social Sciences”.)