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Conceptualizing Welfare State Change.

The "dependent variable problem" writ large

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Abstract:

The paper surveys problems of conceptualisations of welfare state change and suggests that they can only be solved by distinguishing between different dimensions of change. Four dimensions are spelled out: Level of change, direction of change, dynamics of change, and degree of change. As to levels of change, it is argued that we should distinguish between five sub-dimensions: paradigms/discourse, institutions, policy, expenditures, and outcomes. Changes at these levels may be parallel, but often, they are not. What counts, in the final analysis, as the most important measure of change, is outcomes, in particular outcomes on citizenship.

Further, it is argued that evaluations of change have to build on a governance or welfare mix approach to welfare that includes not only state welfare but all collective welfare efforts, including the role of the social partners, social responsibility of firms, and various mixes of state/market arrangements.

Finally, to assess the full impact of change, not least the impact of changing responsibilities between state and non-state actors, we should include evaluations of likely policy feedbacks and future path dependencies.

1. Introduction

Measuring welfare state change is probably one of the most controversial tasks in comparative social policy research. Since social expenditure figures were given up as the key measure of the welfare state, there have not been any agreed-upon concepts or standards of measurement to describe change. The obvious alternative to expenditure figures is institutional change, but as will emerge below, institutional change of the welfare state is not that easy to define and measure. Besides, it is not the only relevant criterion. This conceptual confusion, in turn, is reflected in rather different assessments of individual countries and/or policies, as well as in the vast number of more or less serious concepts that are offered to describe what is seen as the dominant trend in social protection. Further, it is reflected in emerging reservations to classic statements like "institutions matter", not to mention earlier interpretations of path dependence as a static condition. At least there seems to be one element of an emerging new consensus, namely that welfare states in fact change quite a lot.

Even though there are no simple solutions to the problem of conceptualising welfare state change, is seems possible to reduce the confusion by identifying core aspects or dimensions of change, and by clarifying which of these aspects some of the most widely used concepts of change in the literature are referring to. This paper identifies four dimensions as essential:

- *level* of change: Change in paradigms, institutions, policy, expenditures or outcomes?
- *direction* of change: Retrenchment, decommodification or something else?
- *dynamic* of change: Abrupt or incremental?
- *degree* of change: Transformative or maintaining?

However, it is increasingly recognized that we have to consider not only state welfare but the *ensemble* of institutions providing collective social protection. This can be formulated as a question of

- *object* of change: State welfare or all collectively provided welfare?

Finally, when it comes to the impacts of changing division of labour between institutions providing welfare, it is highly important also to consider the feedback process, that is, the

- *further impact* of change: Short-term or long-term effects?

This paper points out that the main problem of current conceptualisations of change is that they fail to distinguish sufficiently between different dimensions which are not always linked. For instance, Streeck & Thelen (2005) have argued that there is no simple correspondence between dynamic and degree of change as implied by the "punctuated equilibrium model”. Transformative changes are not always abrupt and dramatic, and incremental changes are not always maintaining. These are two separate dimensions; there are four possible combinations, and the combination incremental-transformative change has been neglected. Our suggestion in this paper is in a way equivalent to Streeck & Thelen’s argument, but includes a larger number of dimensions.

The paper begins with one of the most elaborated discussions about change, namely the debates over the “dependent variable problem”. Next, we point out the necessity to consider not only state welfare but privately provided welfare as well. That is, the object of change is the entire constellation of *collective* social security arrangements. Then we deal with the four dimensions in turn. In particular, we shall focus on the question of levels of change, not least the relationship between institutional change and change in outcomes. The further impact of change is discussed alongside the question of convergence/divergence between welfare states. Finally, the conclusion points at some key questions for further conceptual development.

2. Beyond the “dependent variable problem”

In the 1990's, the “welfare modelling” literature (Abrahamson, 1999) and the retrenchment literature following Pierson's (1994) seminal book converged in the assumption that welfare states rarely changed very much. However, gradually it was recognized that welfare states exhibited “declining resistance to change” (van Kersbergen, 2000), and that “elephants (were) on the move” (Hinrichs, 2000). Resistance against change has remained an important research theme but is increasingly seen as conditional (Vis & van Kersbergen, 2007). There is an emerging consensus that welfare states in fact change quite a lot, as reflected in headlines about “recalibration”, “restructuring”, “rethinking”, “transformation” (e.g. Ferrera & Rhodes, 2000; Pierson, 2001; Rothstein & Steinmo, 2002; Rein & Schmähl, 2004; Seeleib-Kaiser, 2007), or simply "reform" - even in the otherwise "resistant" Continental European welfare states (e.g. Taylor-Gooby, 2005; Ferrera, 2005; Clasen, 2005; Schludi, 2005; Rothgang et al., 2006; Ebbinghaus, 2006). Borrowing a phrase from another branch of literature, one might even say that in some countries, "reform has become the routine" (Brunsson & Olsen, 1993).

This undoubtedly reflects "declining resistance to change" and increasing velocity of reform in current welfare states. But it also reflects changing theoretical assessments in welfare state research. In particular it reflects a rediscovery of the transformative capacity of “incremental change” (Lindblom, 1959; Goul Andersen, 2001; Palier, 2001; Goul Andersen & Larsen, 2002; Hinrichs & Kangas, 2003; Thelen, 2004: 31-37; Hacker, 2004). This also means that what could at first sight appear as marginal adjustment reveals itself as transformative change in a slightly longer time perspective (Streeck & Thelen, 2005).

At any rate, focus is currently on change rather than stability. But how should we measure change? And prior to that, how should we conceptualise welfare state change? In the retrenchment literature, this has been referred to as "the dependent variable problem" (Pierson, 2001: 420-22). However, this debate is mostly about indicators of *retrenchment* - about whether to use *micro-level* indicators like compensation rates, *aggregate level* measures like social expenditures, or indicators of *institutional* change (Green-Pedersen, 2004; for an overview of positions, see Powell, 2004). This is a highly relevant discussion, but the problem goes further. Change cannot simply be conceptualised as "retrenchment", and "austerity" cannot be seen as the only cause of welfare state transformations (Goul Andersen, 1997; Palier, 2001; Starke, 2006). In some policy fields (e.g. when it comes to outsourcing, or to tightening the works test for unemployed), prosperity in fact seems more conducive to change than austerity (Pallesen, 2004; Goul Andersen & Pedersen, 2007).

However, once we move beyond retrenchment, we are in a bit of a conceptual mess (Goul Andersen, 2005a). Pierson (2001: 422-27) has suggested to distinguish between three "dimensions" of cost containment, recalibration, and recommodification. This is highly useful, but "recalibration" is a catch-all concept that tells little about *direction*, and the relationship between these three dimensions - if they really are "dimensions" - is not spelled out. Besides, if they are "dimensions" (rather than points at a scale of change), they are not very helpful to assess *degree* of change.

To assess degree of change was a main aim of Hall's (1993) distinction between first-, second- and third order change: First-order change refers to change in settings of existing instruments (for instance aiming at cost containment). Second-order change refers to change in instruments to obtain the same goal (this could be *one* way to conceive of Pierson's "recalibration"). Third-order change refers to paradigmatic change with changing goals and problem definitions - usually accompanied by major conflicts and institutional transformations. This distinction is helpful when different levels of change coincide, but it is modelled on the ideational dimension, and even paradigmatic changes sometimes take place without much immediate policy impact; furthermore, large changes in settings (sometimes accumulated over a period) may not only be crucial for outcomes; it may also be tantamount to a basic change in principles of the welfare state.

Streeck &Thelen (2005) focus on institutional change (and elaborate on this concept). They even imply that there is not always a straightforward correspondence between institutions and outcomes (as reflected in the concept of “conversion”, see below), but this is not spelled out in very much detail, and their conception is based on a rather unidimensional conception of the direction of change (regulation – liberalization). However, as pointed out below, outcomes (and the relationship between institutions and outcomes) should be our key concern; and there is need to consider other directions of change than liberalization.

In short, there is need to unpack the notion of change in order to develop more differentiated and multidimensional (but still relatively parsimonious) concepts. This task goes well beyond the "dependent variable problem". Inevitably, discussions about conceptualisations of change also involves questions about how to conceptualise the welfare state (Powell, 2004) - although we shall avoid going too far in this direction. This paper is so to speak about the "dependent variable problem writ large".

3. The dimensions of change

The distinctions between various dimensions of change can be made on the basis of a series of very simple questions (see also figure 1):

- Change of *what?* As pointed out in discussions about the “dependent variable problem”, expenditure figures are insufficient measures of change, and they do not always correspond with other measures. We propose to distinguish between five different *levels of change*: *paradigms* or discourse, *institutions, policy , expenditures,* and *outcomes.* Sometimes we find parallel changes at all these levels – but quite often, this is not the case, as will be pointed out below.
- Change in *what direction?* A unidimensional description along an axis of expansion / retrenchment, or decommodification / recommodification seems insufficient. The axis of regulation / liberalisation does not bring us very much further. Below, we survey a few competing claims about *direction of change*.
- Change in *what way*? - how are the *dynamics of change*? As indicated, change may be abrupt or incremental. Incremental changes often lead to "silent revolutions" - but they are "revolutions" none the less.

- *How much* change - what *degree of change*? It is conventional to distinguish between continuity / discontinuity, or between non-transformative / transformative change (Streeck & Thelen, 2005). We cannot come up with any final formula that delineates discontinuous, transformative change, but assessment must be based on measurement of change at all levels referred to above.

Figure 1: Dimensions of welfare state change

Dimension	Sub-dimension
Level of change	Paradigms (discourses)
	Institutions
	Policy
	Expenditure
	Outcomes (impact)
Direction of change	
Dynamics of change	
Degree of change	

This is not a list without priorities, however. If we accept that "social citizenship constitutes the core idea of a welfare state" (Esping-Andersen, 1990: 21) and that social citizenship is about the "right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in society" (Marshall, 1950), our key focus should be on *outcomes* (Jensen & Pfau-Effinger, 2005; Goul Andersen, 2005b; Goul Andersen & Guillemard, 2005). It also seems plausible to follow Esping-Andersen's (1990) argument that Marshall's notion of "social citizenship" is in fact tantamount to "decommodification". However, there is an ambiguity in the concept of decommodification. If we assume that decommodification is about citizenship – not only as a formal right, but as a *practice* (we leave out here the dimension of citizenship as an *identity*, see Goul Andersen, 2005b) - it does *not* follow that welfare policies is only about "politics against markets" (Esping-Andersen, 1985). Much of the efforts of the welfare state in the field of services is difficult to subsume under this headline; and even more importantly, adjusting welfare states to act more in conformity with the market is *not* by definition tantamount to an erosion of citizenship. If we want to use the label recommodification to describe such adjustments to market conformity, it seems impossible to maintain the equation of decommodification and social citizenship.

Furthermore, the emphasis on citizenship as the key concept in evaluation of outcomes does not a priori rule out a *redefinition* of citizenship with more emphasis on right and duty to be active (Pfau-Effinger, 2005). This is not *by definition* tantamount to an erosion of citizenship; this may certainly be the case if responsibility is shifted from the collective to the individual, and if the result is a decline or polarisation in the "right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in society". But if this is not the case, such redefinitions may also be seen as a matter of modernization – as a way to maintain the ideal of full citizenship in a more individualised society with more efficacious citizens.

Next, if citizenship is a key criterion in the final assessment of outcomes, then it is crucial to consider the *ensemble* of institutions - for instance the entire configuration of a multipillar pension system. Looking at the state component in isolation - as the "power resources approach" (Korpi, 1983) is inclined to do - would imply a serious bias. As this is the point of departure for discussing the four dimensions of change, we have to deal briefly with the multipillar approach to welfare. In a dichotomous state vs. market world, mixed welfare by definition means liberalisation, recommodification and an erosion of social citizenship. However, the situation is a bit more complicated. The question is not *whether* there is a mix of responsibilities, but *how* this is composed.

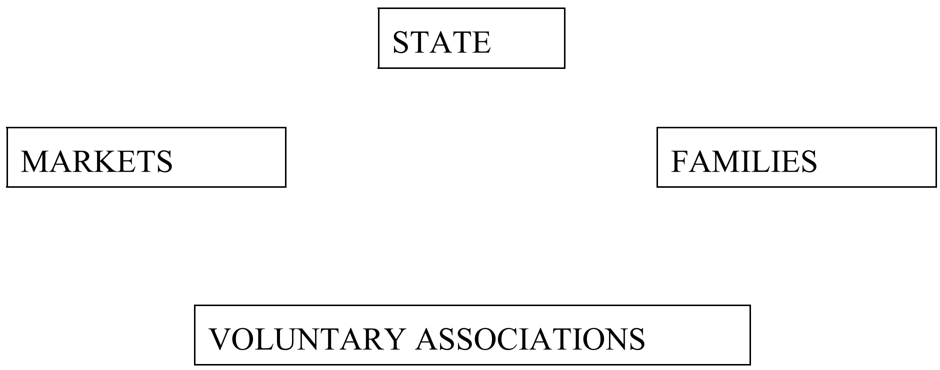
4. Beyond state welfare

Whereas comparative social policy research has mainly focussed on the role of the state, others (in particular economists) have been more inclined to see provision of welfare as a mix between different institutions (Barr, 1998; Kuhnle & Alestalo, 2000; Goodin & Rein, 2001), and/or as a matter of insurance principles (Barr, 2001). Esping-Andersen (1999: 32-46) has himself rephrased his regime theory in the language of both perspectives. This is important already when we discuss transfers, but the need to include such discussions becomes even stronger when we move to services which in some welfare states (notably the Scandinavian ones) constitute a much larger share of the total costs than transfers. One might also say that we should shift from a government perspective to a governance perspective on the welfare state (Goul Andersen, 2000b).

There are three levels in this discussion – in the UK often labelled the "mixed economy of welfare" (Powell, 2007): (1) The division of labour between the state and other institutions, not least the market; (2) cooperation and mixed responsibilities between the state and the market[1]; and (3) introduction of market mechanisms inside the state.

From a welfare mix approach, a core question is about changes in the division of labour, not least the question if new combinations can produce equivalent outcomes. A classic is Johnson's (1987) discussion of "welfare pluralism", i.e. of new combinations of the state, the market, the family and voluntary associations. Graphically, this is sometimes illustrated as a welfare triangle or as a diamond (figure 2).

Figure 2: Multiple providers of welfare: The welfare triangle/diamond



Another is Gilbert & Gilbert's (1989: 163, 171-86) concept of "enabling state" which emphasizes the *interaction* between state and markets, in particular "public support for private responsibility". It portrays a vision of a broader array of institutions responsible for provision of welfare, including subsidized and regulated non-state activities (see also Gilbert, 1995: 148-72). The concept of "enabling state" is extremely vague and ambiguous - in Gilbert (1995: 153-54), emphasis is more on duty to work and on balancing rights and obligations, and in Gilbert (2002) it includes almost any reduction of state responsibility for welfare such as targeting benefits. Briefly, it is a catch-all concept that is contaminated by political usage. It is presented as an ideal type with various components, but if some sort of

[1] In principle, this mix should also be extended to other actors, but we leave out this question here.

"institutional complementarity"[2] is implied, the logics are not spelled out.

None the less, Gilbert's extension of the welfare mix approach can be elaborated to embrace an overview of *various ways to provide collective responsibility for social welfare*. In the first place, a welfare mix model should also include the role of social partners and collective agreements (Rostgaard & Fridberg, 1998) as well as the social responsibility of firms (Martin, 2004; Bredgaard, 2004); both of these nowadays goes beyond what was traditionally labelled "occupational welfare". One might even construct an ideal-typical governance model of multiple providers coordinated by the state (Evers & Svetlik, 1991) which assumes final responsibility for outcomes. In the field of pensions, this has for long been discussed in terms of "multipillar" pension systems as far as macro level institutions are concerned (Myles & Pierson, 2001), and in terms of "income packaging" at the micro level (Rainwater et al., 1986; Rein & Stapf-Finé, 2004). However, as mentioned, we prefer to limit our focus to *collective* social responsibilities – state and non-state – leaving out completely individual arrangements.

As mentioned, it is not only a matter of division of labour between the state and the market (and other actors). The distinction between state and markets itself is blurred as there are in principle six possible combinations of *production, regulation and financing* of welfare tasks in-between pure state and pure markets - and even more, if we differentiate these concepts further (Barr, 1998: 96; Gilbert & Gilbert, 1989: 22-29; Seeleib-Kaiser, 2007); see Figure 3. In a European context, full privatisation of welfare is rare, but semi-privatisation is widespread. The most important forms are *outsourcing to private providers, (tax) subsidies, vouchers, and user fees*. Outsourcing and vouchers (Greve, 2002) maintain public financing but invite private providers - vouchers with freedom of the citizen/user/consumer to choose between providers (which may be private or public). User fees, by contrast, do not involve competition, but privatise a part of the economic risk and have much more far-reaching impact on distribution. Small user fees are often recommended by economists, however, as they serve to "test" (and limit) the demand for services. Subsidies (tax deductions for private welfare) also have distributional consequences.

In principle, there are even more combinations. Mandatory (private) insurance is also a potential alternative to public welfare. It involves payment of market prices as well

[2] This concept stems from the "Varieties of capitalism literature" (Hall & Soskice, 2001: 17) and simply means that institutions are logically connected so that "the presence of one increases the returns from the other". However, institutional complementarity is also implied in the welfare regime approach of Esping-Andersen. Indeed the keyword "regime" simply *means* institutional complementarity (Goul Andersen, 2007e).

as competition. Still, it differs from private insurance by being mandatory - and for instance by the possibility to regulate against separation of risk pools for "good" and "bad" risks. Finally, in "free competition", public service agencies are allowed to offer supplementary services at

Figure 3: Eight possible combinations of state and market.

	Regulation: Who decides	Financing: Who pays	Production Who provides
1. Pure state	+	+	+
2. Outsourcing	+	+	-
3. User fees	+	-	+
4. Vouchers	-	+	+/-
5. Subsidized private welfare	-	+/-	-
6. Free competition	-	-	+
7. Obligatory insurance	+	-	-
8. Pure market	-	-	-

market prices in open competition with private firms. Sometimes orthodox welfare supporters and private firms may jointly oppose the latter type of arrangements - private firms because they fear unfair competition, and orthodox welfare supporters because they don't want public agencies to treat citizens differently, and because they fear that service institutions will prioritise supplementary services (for better-off users), because of profit incentives, and because this is where they are exposed to competition.

In principle, there are many more combinations, in particular if we differentiate the regulation dimension. The figure is just an illustration of the rich variety of possibilities.

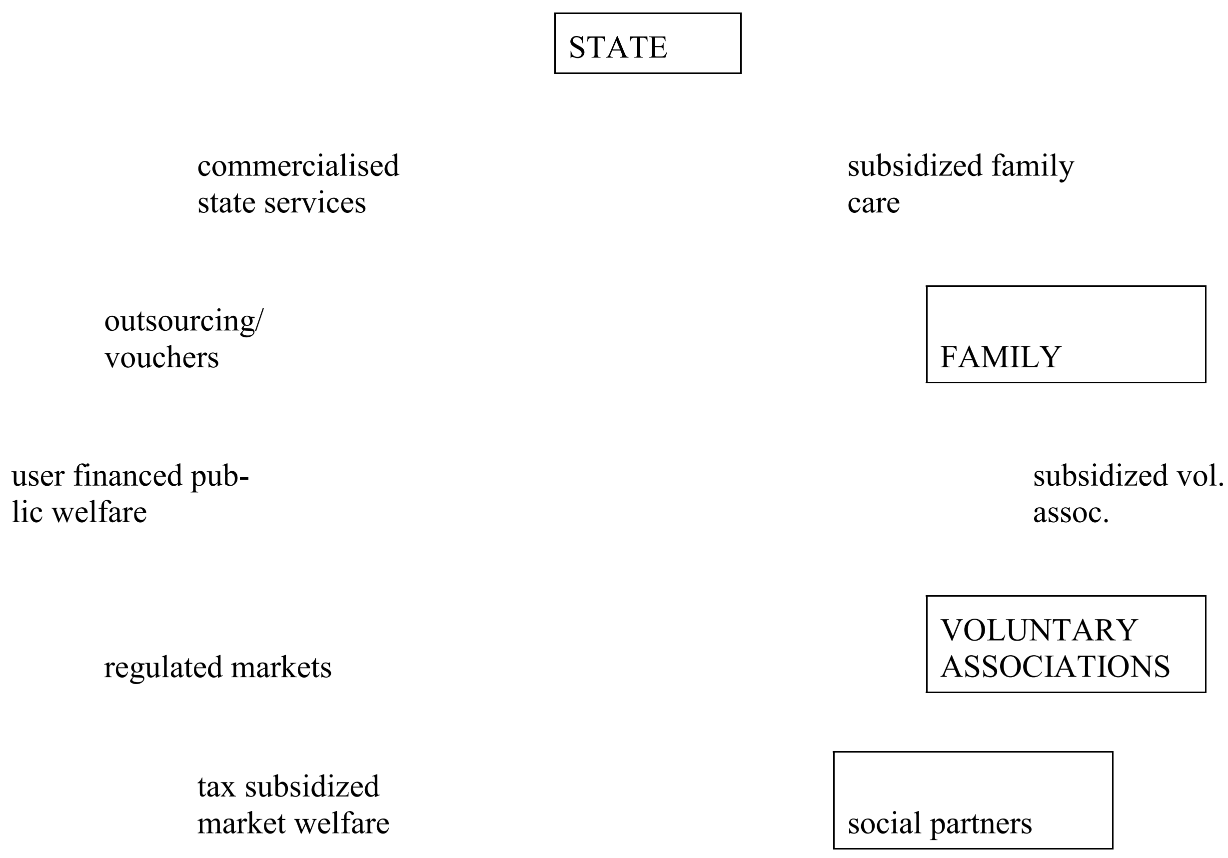
Finally – and this is the third aspect - the distinction between state and market is blurred by changes in the management of public services. Competition is not limited to competition between public and private. Speaking of social services, many scholars have underlined the *"marketisation" or "commercialisation" of the welfare state* in "New Public Management" reforms (Gilbert & Gilbert 1989: 27-29, Cutler & Waine, 1997; Blomqvist & Rothstein, 2000; Blomqvist, 2004). As much as possible, the public sector is reorganized to market-like conditions, e.g. by separation of buyers and providers, by quasi-markets, by contracts, by payment according to performance, new wage systems etc.

Except for higher user fees, mandatory private insurance, subsidies, and free competition, these changes do not have immediate distributional effects. We cannot discuss here how they may affect future power relations, or how they affect the ethos among welfare "consumers" and "producers". Such feedback effects are certainly essential when it comes to evaluating long-term impacts.

But except for user fees, privatisation/commercialisation is not just a matter of *retrenchment*. Saving money is *not* always the purpose (and even less frequently the outcome!). Whether the reforms succeed in providing higher quality or "more value for money", is beyond the scope of this paper.

These intermediaries are important, even in a Scandinavian welfare state like Sweden. Outsourcing and vouchers are comparatively widespread in Scandinavia (Greve, 2002: 175-230; Goul Andersen, 2007b), and in Sweden, Lindqvist & Wadensjö's (2006, 2007) systematic account of supplementary insurance in the field of income replacement revealed a surprisingly large number of non-state collective arrangements, negotiated in collective agreements, or provided by trade unions as mandatory or voluntary insurance.

Figure 4: An expanded welfare triangle/"governance model" of social welfare.



Finally, a welfare mix perspective must also include *cash subsidies for households*, e.g. for elderly care provided by family members.

The full welfare mix model is presented in figure 4. The diamond model of four independent institutions has been replaced by six basic institutions and seven intermediary forms. Only three of thirteen combinations are entirely non-state or non-collective. An assessment of welfare state change has to address the changing division of responsibilities, and in particular what impact they have on citizenship. A narrow government approach focussing on pure state welfare would miss too much, in particular the role of the social partners and collective agreements, and it might easily lose sight of the multiple permutations.

Some of the tools to assess this welfare mix are provided by an insurance approach (Barr, 2001; Esping-Andersen, 1999: 32-46). From this perspective, a basic questions are about management of risk, in particular about *risk coverage* (which risks are covered by the state and collective arrangements, and how adequately?) and *risk pooling* (how much separation is there between risk groups and between social strata?).[3] From this perspective, it does not matter *per se* whether welfare is provided by the state or by some other collective arrangement. What matters is risk coverage and risk pooling. Both may typically be narrower in non-state arrangements, but this is not necessarily the case.

The key question is whether such changes entail a privatisation of social risk and in particular an erosion of citizenship. The more actuarial arrangements are, the more one can speak of a privatisation of social risk (Barr, 2001: 24). This can happen even within pure state arrangements, however. For instance, a change from defined benefit to defined contribution pension schemes involves a certain privatisation of social risk.

[3] Universal welfare states are characterised by broad and adequate risk coverage, and by all-encompassing, nation-wide risk pooling. Beveridgean welfare states are characterised by less adequate (and somewhat narrower) coverage. Residual welfare states are characterised by much more narrow coverage and by even less adequate coverage, in particular for those who can afford market solutions. And corporatist welfare states are characterised by somewhat more narrow coverage, limited risk pooling across status groups, but adequate coverage except for the poor.

5. Direction of change: Cost containment, recommodification, recalibration

Until recently, most discussions about direction of change have been phrased in the language of retrenchment or in the language of recommodification. We do not suggest abandoning these concepts. But in the first place, they are not very clearly defined. And secondly, they do not seem sufficient to describe the direction of welfare state change. One of the most important directions to consider is the new mixes described above. However, we shall begin by going a bit deeper into the two concepts of recommodification and retrenchment.

From social expenditures to recommodification

From the most classical measure of the welfare state, public expenditures or social expenditures as per cent of GDP, measuring welfare state change was *in principle* a simple task (e.g. Wilensky, 1975; Cameron, 1978) - apart from (quite troublesome) comparability problems in international statistiscs (Adema & Ladaique, 2005), business cycle adjustments, aggregation problems etc. However, as argued by Esping-Andersen (1990: 19, 21) - perhaps overstating the point a bit - expenditure measures are theoretically unsatisfying. First, he regarded expenditures as epiphenomenal and found it "difficult to imagine that anyone struggled for spending *per se*". Secondly, there are important differences between countries with the same level of spending. Like others, Esping-Andersen (1990) went back to the classical notions on *principles of welfare*: residual vs. institutional welfare states, developed by Wilensky & Lebeaux (1958) and Titmuss (1958), and the "industrial achievement-performance model", developed by Titmuss (1974), to elaborate the three welfare regime ideal types.[4] As a corollary, the central question of change would be change between these *principles*, in particular changes along the residual vs. institutional axis.

The most important difference between these regimes, Esping-Andersen contended, was the degree of *de-commodification*.[5] This concept (originally developed by

[4] Whereas the former concepts were only about principles of welfare, Esping-Andersen went further, however, by spelling out also the relationship between the state, the labour market and the family. To underline this further, and because of stronger emphasis on the family and "de-familialization", the concept of "welfare state regime" was substituted by welfare regime in Esping-Andersen (1999).

[5] Esping-Andersen's theory is open to interpretations because of somewhat unclear distinctions between independent and dependent variables. If these are juxtaposed, de-commodification can be presented as the most important among two or three criteria including stratification of welfare rights (Arts & Gelissen, 2002) and the private-public mix (Bambra, 2006). Alternatively, de-commodification can be regarded as the dependent

Offe, 1984; Esping-Andersen, 1985), in turn, was linked to T.H.Marshall's (1950) idea of social citizenship: "it is one way of specifying T.H.Marshall's notion of social citizenship rights" (Esping-Andersen, 1999: 43) which "few can disagree ... constitutes the core idea of a welfare state" (Esping-Andersen, 1990: 21). By definition, then, the most basic change of welfare states is a matter of decommodification vs. recommodification. Unlike expenditures, which is about input/policy, and principles which is about institutions, decommodification and citizenship is basically about *outcomes*, about equal status as citizens (Goul Andersen, 2005b: Loftager, 2003). Accordingly, Esping-Andersen's operationalisations are based on outcome measures or proxies for outcomes (Esping-Andersen, 1990: 54; Pierson, 2001: 423).[6]

De-commodification is defined by Esping-Andersen (1999: 43) as "the degree to which welfare states ... (grant) ... entitlements independent of market participation". The equation of de-commodification and citizenship helps to interpret this quote which is rather ambiguous.[7] (Full) citizenship is about having (*de facto*) equal status as citizens in spite of inequality of market position. This presupposes *adequate social rights enabling people to participate* in social and political life. In a Marshallean perspective, decommodification does *not* mean that workers are free to opt out of work. This might be the ultimate stage of de-commodification; but with the possible exception of Denmark from the mid-1970's to the mid-1990's (Goul Andersen, 1996) the duty to work has by tradition been very strong in Scandinavia – not least in Sweden, usually considered the heaven of de-commodification. Indices like duty to work are also absent in Esping-Andersen's (1990) operationalisations which are consistent with the Marshallean perspective.

But what does re-commodification mean, then? This concept has seemingly not been used by Esping-Andersen himself. Pierson (2001) also does not supply precise definitions, perhaps because his argument is that retrenchment is typically *not* about recommodification. However, the implicit definition is at least different from Marshallean citizenship. Decommodification is referred to as "those aspects of the welfare state that shelter workers from market pressures, forcing them to accept jobs on employers' terms" (Pierson, 2001: 422). Later he remarks that "work incentives have been the focus of concern in many cases

variable. In terms of de-commodification, the regime model predicts three groupings of high, moderate and low de-commodification.

6 We shall not discuss the operationalisation in terms of entitlements which has been questioned both on theoretical (Korpi, 2002) and empirical grounds (Scruggs, 2006).

7 This holds also for the original formulation in Esping-Andersen (1990: 21-22): "De-commodification occurs when a service is rendered as a matter of right, and when a person *can maintain a livelihood without reliance on the market*."

... Yet there remains considerable variation ... reform is often not primarily about re-commodification" (Pierson, 2001: 423). In the implicit definition in these quotes, re-commodification is more about duty or incentives to work and less about social rights and equal status. This is also clear from Pierson's empirical indicators (Pierson, 2001: 434): Cutbacks in transfers to those of working age out of the labour force by means of tighter eligibility rules, and/or reduced entitlements. In short, "making work pay" is a core element of recommodification. This definition is certainly legitimate - and undoubtedly the most widely used in discussions of welfare state change, but it deviates from a Marshallean notion of citizenship (see also Goul Andersen, 2005b).

Arguably, measures like strengthening work incentives and entitlements/ eligibility, or liberalizing employment protection do not *per se* violate citizenship as long as social protection is sufficiently generous to enable full participation in social life as citizens. In fact, although less convincingly, such measures have even been launched as means to ensure social inclusion. We suggest distinguishing between recommodification defined as erosion of social citizenship[8] and strengthening of incentives and duty to work.

"Flexicurity" is an instance of a strengthening of incentives and duty to work which is not *by definition* tantamount to recommodification in terms of citizenship. At least that would run counter to the way in which it is usually legitimised (Madsen, 2002).

Retrenchment

Retrenchment is a broader and vaguer concept. Pierson (1994) has often been misrepresented to mean that retrenchment is just about spending cuts, which is misleading (Powell, 2004). Retrenchment is defined by Pierson "to include policy changes that either cut social expenditure, restructure welfare state programs to conform more closely to the residual welfare state model, or alter the political environment in ways that enhance the probability of such outcomes in the future" (Pierson, 1994: 17). The latter is about "systemic retrenchment" (aimed at changing conditions of future decision making) which we leave aside here. Among the two first elements - "programmatic retrenchment" - short- and long-term expenditure cuts is the most simple aspect, and as pointed out by Pierson, expenditure cuts are *not* just "epiphenomenal to the theoretical substance of welfare states" anymore. On the contrary, "fight against spending ... is a defining characteristic of the era of austerity", Pierson (2001: 423) contends.

[8] Indicators are lower replacement rates, stronger dependence of social rights on former labour market position, the acid test being levels of poverty and inequality in living conditions among those unemployed.

The institutional aspect - more conformity "with the residual welfare state model" - refers to institutional change along the institutional-residual axis such as "(1) significantly increasing reliance on means-tested benefits; (2) major transfers of responsibility to the private sector; and (3) dramatic changes in benefit and eligibility rules that signal a qualitative reform of a particular program" Pierson (1996: 157).

Pierson himself has recognized that welfare states are restructured but points out (2001: 422-27) that retrenchment is not only a matter of *recommodification* (as implied by the power resources model); it can also be about simple *cost containment*, or it can be about *"recalibration"* – vaguely defined as (minor) "reforms which seek to make contemporary welfare states more consistent with contemporary goals and demands for social provision" - for instance "updating" to new problems, or "rationalization" to remove obvious disincentives. This is explicitly presented as three "dimensions" of retrenchment. However, they seem to be function also as three degrees of retrenchment, with recommodification at the highest level: As indicated by the definitions above, recommodification is defined by Pierson as institutional change that brings more conformity with the residual model. Cost containment is more or less proportional cuts in budgets without any institutional changes.

The category of "recalibration" is quite plausible. It is certainly possible to describe most current restructuring of the welfare state as "recalibration". The only problem is that it functions a bit too well. If anything can be labelled recalibration, the concept becomes less informative. We need categories that are somewhat more specific about *direction* of change. Below we (re-)introduce a few examples.

Changing principles

A large part of concepts offered to describe directions of change stems from researchers who believe to have discovered new universal megatrends in the development of the welfare state, sold under various persuasive labels. Another approach, found in Clasen & van Oorschot (2002), and in Barbier & Theret (2003) is to examine openly the development in underlying principles structuring eligibility and entitlements in core areas of social protection. This overlaps with recommodification only if more liberal principles prevail; but it also leaves open that principles in practice might overall become more universal - or more achievement/ performance (reciprocity-) oriented, for that sake. Arguably, in a Scandinavian welfare state like Denmark, universalism was strengthened and not weakened during the period of most intense cost containment in the 1980's (Goul Andersen, 2000).

One change of regime principles, *targeting of social benefits*, or *de-universalisation*, has been the object of much interest (Gilbert, 2001). It involves a change towards a "residual model", as advocated by international governmental organizations like the World Bank (Estes & Phillipson, 2002). The concept of targeting is narrower than recommodification even in its Marshallean meaning which may include both more targeting and lower compensation rates for everybody. On closer inspection, targeting (or de-universalisation) is very difficult to specify and operationalise. In the first place, targeting must be seen in context. The concept of targeting (or de-universalisation) is developed to describe universal/institutional vs. residual welfare state. If it is to be used to analyse corporatist or Bismarckian welfare states, it needs to be adapted (Ferrera, 2001). The same holds for welfare states switching to defined contribution schemes (another instance of recommodification, but not of targeting) like the Swedish pension system. In such a system, a targeted state guaranteed minimum is actually what contributes to maintain equality and thus an element of decommodification in outcomes.

Moreover, it is necessary to distinguish between targeting the poor and selecting out the rich as the latter does not have the stigmatizing effects associated with selectivism (Ferrera, 2001; Goul Andersen, 1999). Further, there is a difference between standard negative selectivism and a "positive" selectivism that provides targeted supplements to universal benefits (Thompson & Hoggett, 1996). Finally, on a closer look it emerges that there are in fact a very large number of ways to target social benefits *de facto* to the poor, sometimes in quite informal ways (Jensen, 2004).

There seems to be rather strong indications of targeting in most Anglo-Saxon welfare states (Gilbert, 2002). So far, there are few really *systematic* comparisons of targeting across nations (Gilbert, 2001), but this is an area with great potentials for conceptually stringent in-depth studies.

Shifting responsibilities

Undoubtedly one of the most important directions of change is the shifting of responsibility for welfare from state to non-state actors described above. These institutional changes are highly significant in many welfare states, but it should be recalled that pure state welfare has always been rare. To assess such changes, we need a governance perspective that takes account not just of public welfare but also of other collective arrangements and a variety of intermediary forms. The most important question to ask regarding such changes, however, is how they affect outcomes. Simple labels like privatisation or liberalisation does not bring us much further. In short, a key question here is the relationship between institutional change and change in outcomes. Governments hope they can avoid social effects of institutional change.

Enhancing market conformity and competitiveness

Another direction of change which is important to consider is efforts towards improving the interplay between the welfare state and the market. Welfare policy has never simply been “politics against markets”, but increasing efforts have been made to enhance market conformity and competitiveness. The keyword “*liberalisation*” of the varieties of capitalism literature does not seem very appropriate, however; some efforts are in this direction, others are not. Likewise, we should avoid the term recommodification if we want to link this to citizenship. A large number of more specific labels have been suggested: Barbier (2002) speaks of an "*activation of social protection*". To Clasen (2005; Clasen et al., 2001), the keyword is increasing “conditionality" – a concept which mainly applies to labour market policies, however. As mentioned, yet another suggestion is "*flexicurity*" (Madsen, 2002; Wilthagen et al., 2003) which may be spelled out in several different ways. Finally, there is the notion of "social investment state" (Giddens, 1998; Lister, 2004) which emphasises that much welfare spending can be seen as an investment – and, by implication, should be assigned priority. All picture the adaptation of the welfare state to economic efficiency and competitiveness. Pfau-Effinger and Per H. Jensen takes the discussion one point further by claiming that citizenship itself is also being redefined as “*Active citizenship*” (Pfau-Effinger, 2005; Jensen & Pfau-Effinger, 2005) which implies more rights to influence, but also more obligations to participate, and more duties to be active and self-responsible.

The common denominator of all such efforts is that they do not by definition involve retrenchment, let alone a deterioration of citizenship. In short, we also have to consider other possible directions.

6. Levels of change: Paradigms, institutions, policies, expenditures or outcomes

As mentioned, the "dependent variable debate" has been concerned with retrenchment and with the choice of indicators. However, the arguments can be generalised to other directions of change, and the discussion about indicators can be elevated to a discussion about *level* of indicators. Indicators in the dependent variable debate typically refer to three different levels: Institutions, expenditures and outcomes (in terms of micro level compensation rates which can be regarded as a sort of stylized outcome measures). Still, there are many other possible outcome measures, and there are two dimensions which are missing from the dependent variable debate: Paradigmatic/discursive change, and policy change.

Changes in Paradigms / Discourse

Hall's (1993) distinction between first-, second- and third order change refer, first and foremost, to changes at the ideational level. Hall's concepts were modelled on the transition from Keynesianism to monetarism during the Thatcher era in the UK in the 1980's. However, the level of political conflict and institutional change found in this case cannot be generalised. Some changes in paradigms – which alter the entire world view, perceptions of causality, and goals – take place much less dramatically.

For instance, in Denmark, quite far-reaching changes from a demand-side perspective to a supply-side perspective on unemployment took place in relative tranquillity, even though for a long period of time, unemployment came to be seen largely as "structural" or "natural", caused by disincentives and mismatch problems, including a mismatch between minimum wages and qualifications among the lowest skilled. This was not associated with any immediate policy changes, but of course served to structure policies in the long run (Goul Andersen, 2002a). In spite of constraints, however, several policy options remained; to meet productivity requirements of high minimum wages, the Social Democrats wanted to use active labour market policies and upgrading of qualifications, in contrast to the straight market strategies preferred by the bourgeois parties at that time. Still other parties wanted to solve the wage-productivity gap by subsidies. All these competing strategies could to a large extent be formulated within a structural unemployment paradigm. In short: The new paradigm constituted a constraint, but it did not determine policies. This also explains why it was accepted with little resistance. However, this also means that changes in short- and medium term outcomes, as seen from a citizenship perspective, were relatively small.

This certainly does not mean that this change in paradigm or elite discourse ("co-ordination discourse" - as contrasted to "communicative discourse" aimed at persuading voters, see Schmidt, 2002) is unimportant. Even if it does not fully determine the selection of future policies, it is of course an important constraint. And those institutions or power relations which limit the impact on outcomes (citizenship) at one point of time may disappear at a later point.

To conclude, paradigmatic or discursive change constitutes a separate sub-dimension or level of change, not the end of a unidimensional continuum of change.

Changes in policies and institutions

The distinction between policy change and institutional change is not very clear-cut, and some researchers prefer not to speak about policies as institutions. Institutionalism has taken two directions which could be labelled the *veto point* literature and the *path dependence* literature, respectively. The first is the original one. A classic definition of institutions is found in Douglass North (1990: 3) who refer to institutions as “the rules of the game in a society or, more generally …… the humanly devised constraints that shape human interaction”. The “rules of the game” has traditionally been taken to mean formal and sometimes informal political institutions. In accordance with this definition, one direction of institutionalism in comparative welfare state research has emphasized the “status quo bias of political institutions” (Pierson, 2004: 42), and in particular the multiple *veto points* in political institutions (Bonoli, 2001).

The most relevant field of institutionalism here is the one dealing with *policies as institutions*, however. As argued by Pierson (2004, 2006), policies can also be seen as a kind of institutions: “For the individuals and social organizations ... public policies are ... *central rules governing their interactions*. These rules specify rewards and punishments associated with particular behaviors, ranging from eligibility ... to large fines (or) incarceration .... the institutions that impinge on the modern citizen most directly and intensively ... are in fact public policies, *not* the formal political institutions that have preoccupied political scientists” (Pierson, 2004:165). Unlike Pierson, however, most scholars distinguish between policies and institutions and maintain that some but not all policies count as institutions. But the distinction and the definitions are seldom very precise. Pierson in fact himself only refers to “*major* public policies” as "institutions" (2004: 165). Streeck &

Thelen (2005: 12) argue that “policies ... are institutions ... to the extent that they constitute rules for actors other than for the policymakers themselves - rules that can and need to be implemented and that are legitimate in that they will if necessary be enforced by agents acting on behalf of society as a whole”. Green-Pedersen (2002) has perhaps provided the most plausible and simple delineation in defining institutions as the “programmatic structure” of (concrete) policies.

Policy changes like changes in the level of public expenditure or taxes, or changing compensation rates in a particular field, may be highly interesting in their own right, but what concerns us mostly here is institutional change. A three per cent reduction in unemployment benefits or a one per cent increase in social expenditure would count as a policy change, but if it's just a one-shot phenomenon, it would hardly count as an institutional change.

What *kind* of institutional changes, then, should concern us the most? It should be noted that this discussion may often be related to basic conceptions of the welfare state. In the first place, if we take a *welfare regime approach,* we could focus on changes in the basic *principles* of eligibility, entitlements and financing. We could also find other *determinants of de- or recommodification*, and of de-familialization, as suggested by Esping-Andersen (1990, 1999). More concretely, this could involve questions about universalism vs. targeting (means testing), flat-rate universalism vs. income-replacement universalism, contribution financing vs. tax financing, degree of actuarial equity vs. equality (like the difference between defined contribution and defined benefit schemes), etc. As to de-familialization, indicators could be tax rules for couples, expenditures on social transfers vs. social services, etc. etc. However, *as such*, the concepts of de-commodification and de-familialization are basically *outcome* measures, unlike for instance Korpi & Palme's (1998) more precisely defined five ideal types of institutional principles: residual, voluntary state-subsidized, corporatist, beveridgean flat-rate universalism, and encompassing (earnings-related) model.

As Esping-Andersen (1999) reminds us, however, the welfare state can also be discussed as an insurance system, and/or as a division of labour. If we conceive of the welfare state as an insurance system, the crucial institutional variables are about *risk coverage* and *risk pooling*. Liberal welfare states have low scores on both dimensions; Conservative/ Christian Democratic welfare states are usually described as having moderately high risk coverage, but relatively low risk pooling - otherwise they become hybrids like the Dutch pension system; and Social Democratic welfare states score high on both dimensions.

What is particularly interesting from this point of view may be tendencies towards *privatisation of social risk*. For instance when defined benefit pension schemes are changed into strictly defined contribution pension schemes, this involves a privatisation of social risk as risk pooling declines. This holds even more if these schemes are fully funded, and if they are limited to a specified number of years.

Finally, from a *division-of-labour perspective*, the main question is how responsibility for welfare is shared between the state, the family, the market, voluntary associations, (social responsibility of) firms, and the social partners (collective agreements). For instance, collective labour market pensions or completely individual pensions may crowd out state pensions, user charges may be raised, or social services may be outsourced to private providers. This issue of privatisation was discussed above.

Even though e*xpenditure measures* are usually not considered very interesting as such, it seems unavoidable to include such measures as well. The question whether the welfare state is being altogether downsized or "only" subject to priorities, always remains an important contextual information.

Outcomes

Even though institutional changes are of main concern, what counts in the final analysis, is *outcomes*, and the impact of institutions on outcomes. For instance, what is most interesting about changes in responsibilities for pensions is whether they contribute to increasing insecurity, inequality or poverty among pensioners.

It is not at all difficult to imagine of institutionally similar systems that produce quite different outcomes in different national contexts. For instance, new public management may have quite different impact in an American and a Scandinavian context. Conversely, institutionally different systems may produce similar outcomes. The Scandinavian pension systems is a case in point: They have all moved away from classical universalism and would currently be classified as multipillar systems and social insurance systems, respectively (Bonoli, 2003). But with a few adjustments, they could easily end up producing relatively similar outcomes (if anything, the most privatised system in Denmark will probably produce less inequality than state-run systems in the rest of Scandinavia, see also Pedersen, 2007).

To assess outcomes, we often need to know a lot about *implementation*. For instance, what is interesting about changing conditionality in labour market policies is to what degree it is actually implemented. There may be a gap between formal requirement and actual practices. To take one more Danish example, unemployed people can be required to commute up to four hours a day, and they are obliged to take any job from day one. But to what degree are these formal rules applied in practice? Unless we know about this, it is difficult to assess and classify the system. One can even imagine that formal institutions remain unchanged but that outcomes change dramatically if practices of administration suddenly change. Implementation may be extremely complex when we speak of conditionality on the labour market (Barbier, 2005).

Considering the output, it again becomes crucial to consider the *ensemble* of institutions - for instance the entire configuration of a multipillar pension system (or at least its collective components). Looking at the state component in isolation would provide a highly biased impression. In particular, occupational welfare and new forms of social responsibilities of firms are important to take into consideration (e.g. Hacker, 2004, 2005), and this holds at least as much for collective agreements between social partners which may often have almost the same material impact as ordinary laws.

7. Degree and dynamics of change; path dependence and path departure

If we are interested in institutional change, one could argue that we should look for those path-breaking reforms where transformative institutional changes take place. However, as pointed out by Streeck & Thelen (2005), there is not a one-to-one correspondence between degree of change (transformative vs. maintaining) and dynamic of change (abrupt vs. incremental). This correspondence is implied by the "punctuated equilibrium model" which was imported from evolutionary biology to studies of policy making processes by Baumgartner & Jones (1993) who concluded that "…our government can best be understood as a series of institutionally enforced stabilities, periodically punctuated by dramatic change" (Baumgartner & Jones, 1993: 251). This picture of long periods of stability interrupted by periods of more far-reaching reforms is also implied in many theories of path dependence.

As far as path dependence is concerned, there are various interpretations. When the concept first surfaced in the comparative welfare state literature, it was often taken to mean stability or stasis. Later, there have been two main lines of interpretations. One is seeing path dependence more as a *perspective* than as a theory: Path dependence means that future decisions depend on past decisions because the outcome of past decisions structure opportunities of action, power relations, and perceptions of interests. However, Pierson (2000) contends that path dependence should be developed into a *theory* like in institutional economics from which the concept was originally borrowed. Elaborating on Stinchcombe's (1968) notions of positive and negative feedback models, Pierson suggests that path dependence is an instance of positive feedback (and thus a very dynamic phenomenon) where a mechanism is installed which systematically draws development in one direction and creates a situation of "lock in" where it becomes more or less impossible (mainly due to political – or administrative – costs) to escape that path. The emphasis on *mechanisms* is valuable; however, the drawback of insisting on path dependence as a *theory* is that it almost takes exogenous changes to break a path.[9] In other words, the model easily becomes too deterministic, leaving space only for few instances of path breaking, caused by major exogenous challenges (Ebbinghaus, 2005).

However, as mentioned above, there has recently been a (re-) discovery of the transformative capacity of incremental change (Lindblom, 1959; Goul Andersen, 2001; Goul Andersen & Larsen, 2002; Hinrichs & Kangas, 2003; to some extent, Pierson's (1994) "systemic retrenchment" could even be counted in here). Ebbinghaus (2005, 2006) suggests to supplement the distinction between path dependence and path breaking/path switching (which is rare) by the concept "path departure" to denote a situation where policies slowly – sometimes invisibly - adapt: Past decisions *constrain* future decisions, but they do not *determine* them, and new mechanisms of change may slowly evolve (see also Goul Andersen, 2001; Palier, 2001; Lessenich, 2005; Pierson, 2004).

Streeck & Thelen (2005) have summarized a number of mechanisms of gradual transformation: *Layering, drift, and conversion*.[10] The former refers to a new scheme being imposed on existing schemes, gradually growing in importance and perhaps even relegating the original scheme to a marginal position. Pension schemes is the classical illustration of this. Drift refers to the failure to adapt existing schemes to new and increasing needs determined by changes in the environment. Decline in occupational welfare – internal labour markets – is a standard example, but the lack of adaptation to a number of new social risks can be analysed along these lines. Conversion refers to existing institutions being taken over and being redirected to new goals via the control over implementation and daily administration. Not least in the field of labour market policy, there are many such opportunities. It is worth remarking *en passant* that conversion denotes a situation where

[9] Pierson's own writings in fact seem to be consistent with this.
[10] Their typology also includes displacement and exhaustion which we leave out here.

actors matter whereas institutions does not really matter quite as much as we were taught to believe in the 1990's. Further, *drift* denotes a situation where the *absence* of institutional change has transformative effects in a changing context (Hacker, 2004).

It will be recalled that assessing degree of change was a main aim of Hall's (1993) distinction between first-, second- and third order change referred to above. However, this conceptualisation is undermined by the notion of incremental but transformative change. Paradigmatic changes may take place as silent revolutions, without much immediate impact on policies or institutions, let alone outcomes. And most importantly, cumulation of small first-order changes such as gradual, but substantial reduction of compensation rates, may indeed be tantamount to major institutional change in the long run (Streeck & Thelen, 2005).

By implication, even making *institutional change* the key object of analysis is problematical according to these insights: *Drift* means that *absence* of change can be transformative if the context changes, and *conversion* describes how apparently stable institutions can be modified to serve entirely different goals than those for which they were originally designed (Pierson, 2004; Streeck & Thelen, 2005). As a minimum, this means that institutions must always be evaluated in context.

8. Policy feedback and convergence/divergence

Finally we briefly discuss the feedback process, the question of temporary equilibria, and the question of convergence vs. divergence. As it is very difficult to evaluate change in a snapshot, considerations of most likely futures are necessary. This is particularly relevant in relation to the mixed economy of welfare. For instance, at a given point of time, different institutional configurations may produce equivalent outcomes, say, between multipillar and social insurance pensions systems; but feedback mechanisms may install different trajectories so that the long-run effects will nevertheless diverge.

The question of policy feedback involves a brief review of the "independent variable problem" - what are the drivers of change: Economic necessity, political power, institutional dynamics, or ideas? Even though Pierson (1994, 1998, 2001) has provided invaluable insights in the politics of retrenchment, it is doubtful whether determinants of change are so fundamentally different now from what they were previously. It is questionable to what extent welfare states are in a condition of "permanent austerity". But first and foremost, it is questionable whether austerity is the most fundamental underlying source of change. As mentioned, this would be consistent with the *theory* of path dependence as positive feedback mechanisms. However, there is almost always some room for manoeuvre, and even though there are institutional constraints, politics and interest conflict arguably are as important as ever as determinants of welfare state change.

Among drivers of change, we have also included the term "institutional dynamics" which once could seem a *contradictio in adjectio*; however, in the first place, *path dependence* is exactly about "positive feedback" (Pierson, 2000), not a static phenomenon, and even if we stick to the less ambitious perspective on path dependence as a perspective, this does not mean that the insights regarding mechanisms are discarded. Moreover, some institutional configurations are inherently unstable and far from any "lock in", let alone "deep equilibrium" (Pierson, 2004).

This is especially important when we consider feedback effects of changing welfare states towards new mixes of private and public. There is currently an interest everywhere in shifting financial responsibility from the state to non-state arrangements in order to enhance financial sustainability amid the ageing problem. In principle, it is possible to construct new combinations of public and private which produce similar outcomes; the question is whether changing power relations and (other) institutional dynamics will maintain this situation or lead away from it. For instance, when new private interests emerge, say, in health care, they will increasingly affect future decisions in the field.

Finally, turning to the issue of convergence vs. divergence, we need to supplement the usual dichotomy with the notion of “parallel trends, persistent diversity” (Kautto & Kvist, 2002). That is, similar changes (like targeting) may be observable across welfare states, but at different levels. In some universal welfare states, targeting according to economic criteria remains a rare phenomenon, but even though it appears in more situations than previously, this has been particularly expanded in welfare states that already relied on targeted arrangements (Gilbert, 2002).

Still, it is also imaginable that welfare states with different institutional points of departure, due to similarities in political forces as well as in exogenous pressures, will find ways to produce equivalent results regardless of enduring institutional differences. In theory, this is described be the mechanisms of conversion and drift; and in practical politics, such a notion of *functional equivalence* is embodied in the open method of coordination in the EU.

9. Conclusions

Above, we have tried to argue that it is futile to look for one overriding dimension or one overriding conception of welfare state change. Existing concepts all have their advantages and their drawbacks, but most of them cover only one or very few dimensions. Even though we should try to remain as parsimonious as possible, a unidimensional conception of change seems impossible to maintain, both as far as direction and as far as strength of change is concerned.

We suggest that the current confusion about change can best be reduced if we distinguish between different *dimensions and levels* of change and consider the *ensemble* of institutions collectively providing social welfare. As to the last point, it is a matter of choosing a *governance* approach addressing the mix of institutions involved in (collective) social responsibilities, rather than a *government* approach focussing narrowly on the role of the state. In particular, if we want to consider the *outcome* of change, it is essential to include the role of non-state actors and the possibility of obtaining equivalent outcomes by different institutional configurations. For instance, from an institutional perspective, Scandinavian pension systems have moved in diametrically opposite directions and have little in common anymore; however, it is not unlikely that they will produce sufficiently equivalent *outcomes* to justify a classification into a common Scandinavian model in spite of institutional divergence. This is not to suggest a replacement of institutionalism by functionalism, only to save the notion of "functional equivalence" as a possibility (see also Øverbye, 1994).

At any rate, a more intersubjective assessment of changes seems possible if we give up the narrow focus on state welfare. Further, we should include services and not just social transfers. We should give up the assumption that change is mainly about retrenchment or recommodification – changes may take several different directions. We should give up the assumption that welfare states are characterised by stasis, interrupted by critical junctures of far- reaching reform. Welfare states are constantly changing, and some of these marginal adjustments may add up to transformative (sometimes even self-reinforcing) change. But first and foremost, we should distinguish clearly between discursive change, institutional change, policy change, expenditure change, and in particular changes in outcomes, as judged from a citizenship perspective.

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