insurance programmes deviate, in vital respects, from those assumed normal in the comparative social policy literature. This insight has been useful in analysing the consequences of cross-national variation in social insurance programme design. For example, information about the quality of unemployment insurance, together with other policy and structural factors, contributes significantly to explaining differences in poverty rates over time and among nations. The design of unemployment insurance also has the potential to affect norms and behaviour of individuals living under different policy regimes. In this context, unemployment insurance constitutes an important link between what in social science research has remained a fairly unexplored interrelationship between welfare state regimes and production regimes.

The chapter has dealt with the situation of the most advanced industrial nations but the political ramifications of unemployment insurance do not stop there. It is unlikely that economic globalization will be either politically acceptable or economically efficient without adequate unemployment insurance in the fast-growing economies of Asia and Latin America. Vietnam, one of the poorer countries in Asia, introduced unemployment insurance in 2009. This suggests that there might even be a future for unemployment insurance in what are currently the weakest areas of social insurance development such as the African continent, where social policy-related strategies of poverty reduction have so far been formulated primarily in terms of child benefits and pensions.

CHAPTER 30

LABOUR MARKET ACTIVATION

LANE KENWORTHY

Introduction

Social scientists and policymakers traditionally have viewed the welfare state as a means of achieving economic security and redistribution. Social programmes provide money and services to individuals and households; in doing so they insure against market-based risks and reduce market-generated inequality and poverty. In the past two decades, however, a third goal has become prominent: employment. Policy reforms and innovations have more and more aimed to increase paid work.

Why Activation?

Activation is by no means novel. Policymakers in most countries have always considered employment to be an aim of policy. Particularly noteworthy is the set of active labour market programmes put in place in Sweden beginning in the 1950s, which included retraining, assistance with job placement, and public sector jobs as a last resort (Ohman 1974; Ginsburg 1983: ch. 6; Rehn 1985). What is new is the centrality of activation to modern welfare states. The activation turn has a number of causes.

Funding the welfare state. The most prominent cause, perhaps, is the financial strain imposed by the welfare state. Public services, social insurance, and redistributive programmes grew steadily in the 1950s, 1960s, and 1970s. This was facilitated by rapid economic growth. Moreover, governments were able to raise additional revenue beyond that produced by economic growth; they did so by increasing tax rates and by introducing new types of taxes, such as the value-added tax (VAT).

Several things have changed. A number of countries experienced sustained high rates of unemployment beginning in the late 1970s or early 1980s. Particularly in nations with unemployment benefits of unlimited duration and generous social assistance, this imposed large unexpected costs.

The populations of most rich countries are ageing. Initially this was a product of slowing birth rates. Now, as the post-World War II baby boom reaches retirement age, it is increasingly a function of a growing elderly population. Governments have made pension commitments, and those commitments will sap an expanding share of public revenues in coming decades, particularly if birth rates do not increase. The rise in immigration has helped and may continue to do so, but it is unlikely to fully solve the problem.

Health care is a 'luxury good'; as societies get richer, citizen demand for it tends to rise more rapidly than incomes. It is the fastest-growing category of social expenditures. And it is expensive; along with pensions, health care accounts for the largest share of social policy expenditures in most affluent nations. Particularly given the ageing of populations, rising demand for health care provision, and hence rising health care cost, is unlikely to reverse anytime soon.

Governments face not only growing expenditures but also new constraints on revenues. In the period since the mid-1970s economic growth has slowed, and while policymakers are ever hopeful that growth rates might return to those that obtained during the post-war golden age, thus far they have not. Nor is it any longer feasible to count on tax-rate increases to generate additional revenue. Capital mobility makes it difficult to raise tax rates at all. Indeed, policymakers have struggled to keep them at existing levels, often offsetting reductions in statutory rates with reductions in tax exemptions and deductions or with increases in payroll and/or consumption taxes.

A high employment rate is viewed by some as a key part of a potential solution to this bind (Esping-Andersen 1999; Ferrera et al. 2000; Scharpf and Schmidt 2000*a*; Esping-Andersen et al. 2002; Kok et al. 2003; Kenworthy 2004, 2008; OECD 2005*b*, 2006; Lindh and Palme 2006; Hemerijck 2010). More citizens in formal work means greater payroll and income tax revenue, without requiring an increase in tax rates. It also reduces expenditures on social assistance, unemployment compensation, and related programmes.

Fairness. Arguably, generous social programmes are sustainable over the long run only if they are perceived by citizens as fair. The chief goals of the postwar welfare state were insurance against risk and provision of financial assistance to those unable to support themselves. As programmes grew more generous, however, the incentive for cheating increased. In the 1970s a large share of the working-age population in the Netherlands

received disability payments, and in the late 1980s Swedish employees averaged twenty-five sick days per year (Visser and Hemerijck 1997; Agell 1996). In a context of strong economic growth and quickly-rising living standards, this type of behaviour may be tolerated. But in a context of modest growth and slowly rising incomes, sentiment is more likely to favour a norm of reciprocity (Bowles and Gintis 1999).

Poverty reduction. Poverty alleviation has long been an implicit or explicit commitment in rich countries. Evidence suggests that employment is an effective way to reduce poverty (OECD 2008*a*).

Social inclusion. In many European countries, the initial response to high unemployment in the 1980s was to find ways to pull people out of the labour force in order to make room for the unemployed, with older workers and women among the chief targets (Ebbinghaus 2006). This was seen as a just and humane strategy, since pensions, special early retirement benefits, unemployment compensation, social assistance, and other types of supports would ensure that those without employment nevertheless maintained a good standard of living. But it turns out that non-employment is associated with feelings of social exclusion, discouragement, boredom, and unhappiness (Layard 2005).

Employment has other benefits (Jahoda 1982; Wilson 1996; Phelps 1997: ch. 1). Paid work can be a source of mental stimulation. It imposes regularity and discipline on people's lives. And with heightened geographic mobility, later marriage, and increased divorce, neighbourhood and family ties have been dissipating, making the office or factory an increasingly important site of social interaction. This had led to rethinking the merits of induced labour force withdrawal.

Women's independence and fulfilment. Steady increases in women's educational attainment and changes in gender norms have produced heightened preference by women for working careers. More and more women see employment as a means of realizing individual potential, boosting identity and self-esteem, achieving social integration, and ensuring financial independence. The turn toward activation among policymakers has in part been a response to these shifts (OECD 2007*b*; Kenworthy 2008: ch. 10).

External encouragement. The OECD's 1994 *Jobs Report* and its subsequent employment strategy pushed the activation turn forward in Europe. Despite considerable dispute about the specific recommendations in that report and in some of the OECD's follow-up studies, its highlighting of large-scale long-term unemployment and its argument in favor of institutional and policy reform altered, to some degree, the nature of policy discussions in a number of countries. The Lisbon Council's establishment of a European employment strategy with targets for 2010, the policy learning promoted via the open method of coordination, and a variety of policy reports from the European Commission arguably accelerated the move toward activation-oriented policy (Kok et al. 2003; European Commission 2007b; Viebrock and Clasen 2009).

How?

Discussion of labour market activation often focuses on particular policy tools. But it is helpful to think about it in terms of broad approaches as well. We can distinguish between three labour market activation strategies. They differ according to what is considered the aim of activation and according to the breadth of policies to be used in pursuing that goal.

One approach conceives of the aim as a high(er) employment rate and of the means as a relatively narrow set of government programmes typically referred to as 'active labour market policies' (ALMP). These include retraining, job placement, temporary financial assistance, and perhaps some subsidies or tax breaks to employers to encourage hiring. A second approach again focuses strictly on employment as the goal but features a much broader array of policy tools, from public employment to shifting taxes away from those that increase non-wage labour costs to fiscal policy. The third approach also takes this relatively wide view of policy tools, but it conceives the goal of activation to be not merely high employment but also labour market success. Here more attention is paid to skill development, to placement in appropriate jobs, to the payoff from employment, and to opportunity for upward mobility. One distinction sometimes made in this regard is between programmes that use negative incentives or punishments to force people into employment versus 'enabling' policies that improve people's ability to find good jobs and to advance in the labour market.

The specific policy tools used to pursue activation are wide-ranging. Some impose requirements while others provide incentives. Some work on the demand side, attempting to increase hiring by employers, while others seek to increase the supply of those seeking employment. Some are aimed broadly, at the entire working-age population, whereas others are targeted at particular groups for which the employment rate is low, such as women, those near retirement age, the young, persons with limited education and/or skills, immigrants, and people with physical, mental, or emotional disabilities.

Benefit limits, cuts, and conditions. Benefit programmes with easy eligibility conditions, generous payments, and lengthy duration discourage employment. One of the principal activation strategies countries have pursued is reductions in access to benefits and in the amount of benefits. Eligibility criteria have been tightened, benefit levels have been reduced, benefits have been made conditional on employment, and the duration of receipt has been shortened.

The United States welfare reform of 1996 is perhaps the most dramatic of these changes. Though the reform included money for supports such as child care, its fundamental thrust was in the direction of punitive activation. It imposed a maximum of two years in succession, and five years total over a lifetime, for receipt of cash social assistance. The aim is to increase employment by limiting cash and near-cash supports for able-bodied working-age persons who are outside the workforce. Put another way, the goal is to activate by reducing the extent to which government programmes 'decommodify' labour.

Another key component of American social assistance, though this varies across the states, is 'workfare', whereby receipt of benefits is conditional on participation in training or actual employment. The idea is to build human capital in the form of skills and/or work experience while providing income support. Critics tend to see this too as punitive, as it pushes recipients into the labour market while offering, in some instances, relatively little in the way of enabling supports.

A number of countries have moved in this direction, though not to the same degree. Denmark, one of the most generous countries in its benefit package, dramatically shortened the period of eligibility for unemployment benefit receipt in the 1990s. Germany's Hartz reforms in the early 2000s had a similar effect. Many other nations have made receipt of certain types of benefits conditional on training and/or employment.

An alternative is to provide benefits but to require recipients to accept a reasonable job if one becomes available. This condition has always applied to many unemployment compensation programmes, but caseworkers, through whom such rules are implemented, often did not know if in fact such jobs were available to benefit claimants. Now caseworkers tend to have better information about job opportunities and often are actively involved in securing this information.

Assistance with job search and placement. Public assistance with finding new employment has long been a key feature of Swedish active labour market policy. It has been utilized in other countries too, though to a much lesser extent. Since the mid-1990s its use has become more widespread. The trend in recent years has been toward individualized assistance. Clients are assigned an individual caseworker who evaluates their abilities and needs, helps with benefit receipt, oversees the search for new work and placement with the firm, and monitors employment outcomes.

Assistance with transportation. In areas where key sources of employment are not easily accessible via public transport, governments sometimes provide subsidies to defray the cost of transportation to and from work.

In-work subsidy. The Working Tax Credit in the United Kingdom and the Earned Income Tax Credit in the United States are the best-known instances of programmes that aim to encourage employment by subsidizing the incomes of low-earning households (Dilnot and Macrae 2000; Hotz and Scholz 2004). Earnings from employment (and in the United Kingdom also a minimum number of hours worked) are required for receipt, and the amount of the subsidy increases with earnings up to a point before it begins to decrease. At its maximum, the amount of the subsidy is substantial, around 40 per cent of earnings in the United States and higher in the United Kingdom. These subsidies have proven effective at encouraging labour market participation, and they are relatively inexpensive to administer. Several other countries—including Denmark, Finland, France, and the Netherlands—have similar programmes, but on a much smaller scale and with the subsidy given to individuals rather than households.

Despite their evident merits, most nations have thus far been reluctant to embrace a large-scale in-work subsidy along the lines of those in the United Kingdom and United States. One reason is that doing so is viewed as forgoing the opportunity to force employers to improve productivity (Bertola 2000). It also reduces the incentive for individuals in low-wage jobs to upgrade their skills in order to advance up the earnings ladder. More fundamentally, it signals a commitment by citizens and policymakers to a low-wage economy, which is viewed as a step backwards.

Another reason is that the chief obstacle to employment at the low end of the labour market is seen as being high non-wage labour costs, particularly payroll taxes, rather than low wages. Reducing the former by exempting certain types of employment from payroll taxes or by providing a subsidy to employers is therefore viewed as a better strategy. Mark Pearson and Stefano Scarpetta (2000: 19; see also Bargain and Orsini 2006; Marx and Verbist 2008) argue that an employer subsidy is a functional equivalent to an employment-conditional earnings subsidy, and one that is better suited to the conditions of many European countries.

> It seems that countries fall into two camps. In those with a low tax-benefit environment and relatively low minimum wages, the essential problem is to encourage labour supply and to provide higher incomes for those in poorly paid jobs. In these circumstances, it seems reasonable to place greater stress on in-work benefits. By contrast, in countries with high levels of taxes and benefits and relatively high wage floors, making work pay schemes are likely to have high fiscal costs and risk reinforcing disincentive effects related to higher marginal effective tax rates. As a result, policy interventions in the second group of countries should probably focus on wage subsidies, as the essential problem is one of increasing labour demand for low-skilled or inexperienced workers.

Indeed, up to this point countries such as France, Germany, and the Netherlands have pursued this latter route, with only very minor (if any) in-work subsidies to employees or their households.

Employer subsidy. As just noted, demand for labour can be enhanced via a targeted or general employer subsidy. Firms can be given a cash credit or tax reduction in return for hiring. This is particularly attractive in countries with high payroll taxes. Germany is an oft-cited example: employers and employees each pay 21 per cent of wages. This type of subsidy now accounts for a significant share of active labour market programme expenditures in a number of OECD countries (OECD 2003*b*, *c*; Marx and Verbist 2008).

Public employment. Public sector jobs can be used as a 'last resort' in providing employment for those unable to find work in the private sector. In the Nordic countries and France, the government typically has accounted for 25–30 per cent of total employment, making the public sector a likely source of employment whether as a last resort or a first option.

Promote part-time work and flexible work schedules. Part-time jobs are an attractive option for some, especially second earners in households. In a number of countries they now account for a quarter or more of all employment, and in the Netherlands a third. Some of this is due to inability to find a satisfactory full-time position, but surveys suggest much of it is by choice. The Dutch employment success story since the early 1980s is largely one of part-time employment growth, with three-quarters of new employment

being part-time (Visser 2002: 25). The rapid growth of part-time work in the Netherlands has multiple causes, but in the 2000s it has been facilitated by legislation that ensures part-time employees the same wage and benefit status as full-time workers. Some other countries have followed suit (Gornick and Meyers 2003: ch. 6).

Flexible work schedules, for those employed either part-time or full-time, also tend to be attractive to potential employees, again especially in households with a second earner. Protections for such employees as well as financial incentives to employers to expand flexible work-time options can help to attract them.

Reduce tax disincentives to second earners. In some countries the tax system penalizes a couple with two earners relative to those with just one earner. (Plantenga and Hanson 1999; Sainsbury 1999; Daly 2000; Dingeldey 2001). An estimate for the year 2000, for instance, suggests that in Sweden and Finland, which have individualized taxation, there was no such penalty at all, whereas in Germany a two-earner couple faced a tax rate approximately 10 percentage points higher than a one-earner couple (Daly 2000: 496; Dingeldey 2001: 659). Reducing this disincentive should help to promote employment, particularly among women (Jaumotte 2003).

Reduce real wages. Wage moderation—specifically, reduction of real unit labour costs—has been among the most prominent suggestions by the OECD (1994*a*) and others favouring labour market activation. The argument is as follows: in jobs where productivity is low and difficult to increase, employers can afford to pay only minimal wages. If forced to pay more, they will hire fewer people. Hence, policymakers and unions face a choice: allow low wages in such jobs and thereby get higher employment, or mandate higher wages and thereby get lower employment.

The difficulty from the perspective of policymakers is that they often have limited influence on wage levels and wage changes. A common response has been the formation of formal or informal social pacts, in which government encourages wage restraint in exchange for changes in certain social programmes, taxes, or active labour market programmes (Avdagic et al. 2010).

A more direct lever for policymakers is the statutory minimum wage. Only about half of the rich countries have a statutory minimum, however. In others, wages are set via collective bargaining with little or no government role. In the United States and the Netherlands, the inflation-adjusted value of the statutory minimum has been allowed to fall steadily since the early 1980s. In France, by contrast, it has tended to keep pace with price increases. Several countries, such as the United Kingdom and Ireland, first introduced a statutory minimum wage during this period.

Reduce non-wage labour costs. Earlier I mentioned that non-wage labour costs tend to be a source of concern, particularly in continental European countries such as Germany and France. In addition to exempting certain jobs from such taxes or providing a subsidy to employers to offset their impact, some governments have debated shifting the tax burden away from payroll taxes. The issue was part of the discussion in Germany's 'Alliance for Jobs' in the late 1990s, but no agreement to reform the tax system was reached (Streeck 2009). In 1990 France introduced a new tax on personal income (the CSG) in order to shift taxation away from payroll taxes. This was only a partial step, though, as payroll taxes still account for a large portion of the revenues that fund French social policy (Palier 2000).

Ease employment protection regulations. Employment protection regulations restrict employers' freedom to fire and hire. They can be instituted by the government as legal rules or negotiated by unions and employers in collective bargaining. For regular ('permanent') employees, regulations govern the justification employers are required to provide for dismissal, approval they may be required to secure from employee representatives, the length of notice they must give, the type and extent of compensation employees receive if dismissed, and the length of the trial period before employees are protected. For fixed-term ('temporary') employees, regulations limit the circumstances or tasks for which fixed-term contracts can be issued, the number of times or length of time a worker can be hired on such a contract, and the types of work for which temporary employment agencies can be utilized.

Strong employment protection regulations make it more difficult and/or costly for employers to fire employees. They may have little or no impact on unemployment, because they can reduce both hiring and firing. But even if they do not affect the unemployment rate, to the extent they reduce employer demand for new workers employment protection regulations may reduce growth of the *em*ployment rate (Nickell and Layard 1999; Kenworthy 2008). Since the mid-1990s, most of the continental European and Nordic countries have reduced the stiffness of employment protection regulations, mainly by easing restrictions on fixed-term employment (Kenworthy 2008: ch. 6).

Family-friendly policies. In the countries that have experienced employment growth since the 1970s, much of it has been among women. Differences in female employment also account for a large portion of the cross-country variation in employment rates. Family-friendly policies are commonly suggested to be a key contributor to growth of female employment (Sainsbury 1999; Daly 2000; Dingeldey 2001; Esping-Andersen et al. 2002: ch. 3; Orloff 2002; Gornick and Meyers 2003; Jaumotte 2003; Eliason et al. 2008).

One such policy is public provision or financing of child care. Lack of affordable child care can pose a significant obstacle to employment for women with pre-school-age children. Government-provided or -funded care for young children may therefore encourage female employment. In Denmark, for instance, 64 per cent of children aged 6 months to 2 years are in formal child care, commonly between seven and eight hours per day. Heavy public subsidies help limit the cost to parents to approximately 10 per cent to 20 per cent of an average production worker's earnings.

For women with school-age children (age 6 and older), school hours and the availability of extended-day or after-school services can potentially affect employment opportunities and decisions. Here some of the Continental countries have noteworthy roadblocks. For example, many German schools for 6-to-9-year-olds are open for only half days, and schools in France traditionally are closed on Wednesday afternoons.

A second policy often posited as conducive to women's employment is paid maternity/care leave. The expectation is that if women know they can take a reasonably long break from work without losing their job and without forgoing all of their earnings, more will choose to enter the labour market in the first place and more will return after having a child. Here too the Nordic countries have been at the forefront. Each of the four instituted a policy of paid maternity leave by the 1960s, and in the ensuing decades the length and financial generosity of these leaves have gradually been extended. On the other hand, Finland, France, and Norway each offer a two-to-three-year paid leave. There is reason to expect that leaves of this length reduce women's employment by encouraging extended breaks, which sometimes become permanent.

Human capital. In every rich country, employment rates are positively correlated with educational attainment; those with a college degree have a higher employment rate than those with only a secondary degree, who are more likely to be employed than persons without a secondary degree (OECD 2008*a*). This squares with the standard economic view that wages are determined by productivity, which in turn is a function of skills. A common strategy for increasing employment, then, is to improve educational attainment and/or the quality of schooling.

Policymakers have attempted to do this in a variety of ways: subsidizing early education; improving elementary and secondary schooling via increased funding, greater centralization or decentralization of decision making, heightened teacher accountability, school choice, and others; increasing opportunity for college attendance via reduced charges and/or increased access to loans. A variety of countries also have moved to improve opportunities for 'lifelong learning' via retraining, subsidies for return to schooling, access to online education, and others.

Career ladders. Skills are one key to upward mobility over the life course. Another is organized intra-firm and inter-firm career ladders. These are programmes that facilitate transitions from low-skill, low-paying jobs in an industry into higher-skill, better-paying ones. Joan Fitzgerald (2006) has examined organized career ladders in the United States in health care, child care, and a variety of other industries. In health care, for example, career ladder programmes provide training and classroom education at low cost and feasible schedules to help transitions from aide to nursing assistant to registered nurse. Many of these programmes, in the United States and elsewhere, are small in scale. But interest in them appears to be on the rise.

Country Similarities and Differences

Arguably there has been some convergence among affluent nations in policy strategies and in the use of particular policy tools to promote employment. Moreover, there is indication of convergence in administration, with governments moving towards centralized goal-setting with decentralized tactics and implementation (Eichhorst and Konle-Seidl 2008). Still, significant cross-country diversity remains, both in overall approach to activation and in the specific policy strategies and programmes countries utilize (Eichhorst and Konle-Seidl 2008; Kenworthy 2008).

Typologies abound in the comparative welfare state literature, and there have been several attempts to typologize activation approaches (Lødemel and Trickey 2000; van Berkel and Hornemann Møller 2002; Barbier 2004). The challenge for typologies is to identify the dimensions on which to base the country groupings. In the early stages of typologizing this decision typically is made on theoretical grounds. As data availability improves—that is, as more countries are scored on more components of the relevant policies or institutions—empirical techniques such as factor analysis and cluster analysis often take over. Labour market activation seems to have not yet reached this latter stage.

To my knowledge there have been no attempts to score or rank countries according to activation effort. The OECD (2009*a*) has data on public expenditures on active labour market programmes. The Nordic countries tend to be highest on this measure, followed by the continental nations, with the Anglo countries lowest. And there are various scores for other activation strategies, including the generosity of social assistance, the stiffness of employment protection regulations, public support for child care, and many others. But as the discussion in the 'How?' section above suggests, activation strategies encompass a large number of policies and programmes, which are combined in myriad ways.

Does Activation Work?

The chief aim of activation is to increase the employment rate. Has it succeeded? Numerous comparative empirical studies have examined the effect of particular labour market policies and institutions on employment (see the list and discussion in Kenworthy 2008: ch. 4). Many find a link between the two.

Figure 30.1 shows employment rates in twenty OECD countries in 1989 and 2007. Both years are business cycle peaks, so the comparison is a reasonable one. The rates are shown for four groups. One is all working-age (15–64) persons. The other three are groups whose employment rates traditionally have been relatively low. Policymakers have thus been especially keen to try to raise them. These are prime-working-age (25–54) women, the young (20–24), and the near-elderly (60–64).

In most countries the overall employment rate, as well as the rate for women of prime working age, has increased. The only notable exceptions are Sweden and Finland, both of which began this period with comparatively high employment rates and suffered very deep recessions in the early 1990s. If we accept that there has been a genuine activation turn in policy, the over-time trends in employment

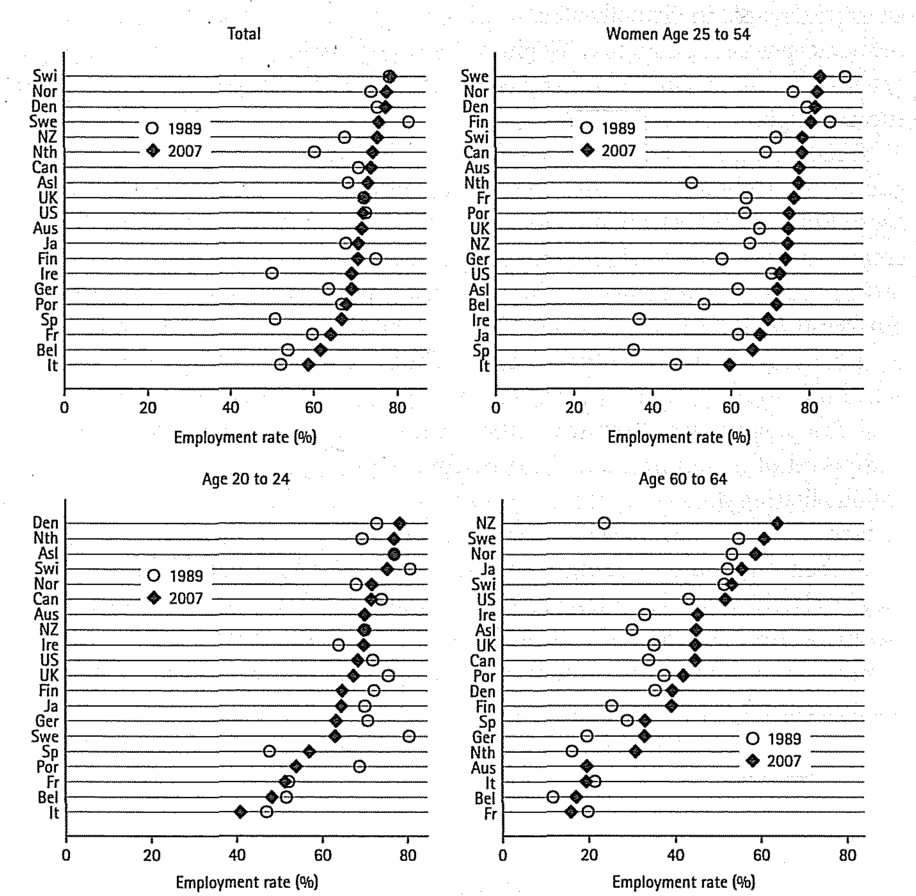

Figure 30.1 Employment rates (1989, 2007)

Note: Employment rate = employed persons in the relevant group as a share of all persons in the group. 1989 employment data are not available for Austria. First year for Switzerland is 1991 rather than 1989.

Source: Author's calculations from data in OECD 2009*e*.

support a conclusion that this shift has had an impact. But of course, many other things contributed to rising employment rates, including changes in cultural norms and increases in female educational attainment (Hicks and Kenworthy 2008). Moreover, in the Netherlands and Denmark, two oft-cited success stories, policy changes followed employment growth as much as they preceded it (Viebrock and Clasen 2009). It is thus difficult to know how much of the employment rise to attribute to policy shifts (Kenworthy 2008).

For the young and the near-elderly the picture is more mixed. Employment rates for the young (excluding 15-to-19-year-olds, who are most likely to still be in school) increased in some nations but decreased in others. Employment rates for the near-elderly increased in virtually all countries, but in some they remain extremely low—below 20 per cent in France, Belgium, Italy, and Austria. Given that these two age groups have been particular targets of activation efforts, perhaps a conclusion of success ought to be tempered.

Social scientists also have examined the impact of active labour market programmes on employment outcomes. Here the conclusions are more divided (Martin 2000; Rønsen and Skarohamar 2009). Studies frequently find a beneficial impact on employment for at least some target groups. But it is not clear whether such programmes are cost effective in the sense that government spends less than it otherwise would on passive benefits. This is partly because these programmes tend to deal with the most difficult cases. When viewed in the larger context of an activation strategy, it can be argued that active labour market programmes are a vital component regardless of whether or not they are cost effective. They are part and parcel of a commitment to go beyond requiring employment by encouraging and facilitating it.

One conclusion that seems clear from the comparative literature is that there is more than one route to rising employment and to a high employment rate. There may be elective affinities among certain activation policies, but countries as diverse as Denmark, the Netherlands, and the United States have (at least until 2008) secured comparatively high rates of employment with very different sets of policies and institutions (Kenworthy 2008: ch. 11).

Conclusion

Is the activation turn real? A prevailing view of welfare states in affluent countries is that they have been remarkably stable over the past several decades. This image stems from studies that note the lack of reduction in tax revenues or social expenditures in the face of globalization and related pressures, as well as from descriptions of continental welfare states as incapable of adaptation to new risks and fiscal realities (Scharpf and Schmidt 2000a; Castles 2004). Drawing on this notion, a skeptical interpretation of the supposed turn toward labour market activation might suggest that what actually has happened is that the Anglo countries have cut some benefits, the Continental nations have done nothing at all, and the major activation developments in the Nordic countries occurred mainly in the 1970s and 1980s.

I am more inclined to agree with the conclusion of recent comparative surveys by Werner Eichhorst and Regina Konle-Seidl (2008) and by Anton Hemerijck (2010), which suggest that most of the rich nations have undergone fairly extensive changes in policies related to activation. In part this is a shift in mindset—from an orientation toward decommodification, or passive support to the non-employed and

encouragement of labour market exit, to an orientation prioritizing employment. Shifts in actual policies have been somewhat far-reaching as well, including in some countries, such as Germany, where they were least expected. Case studies of country developments bear this out (Auer 2000; Madsen 2002; Visser 2002; Vail 2004; Eichhorst et al. 2008).

I write this chapter in the midst of the worst economic crisis since the 1930s. Will it have consequences for the activation turn? I suspect yes, in two ways. First, employment has fallen in virtually all of the rich countries, and may well continue to do so. This increases the pressure on governments to provide employment support on both the demand and supply sides. And large budget deficits incurred to try to stimulate the economy create additional incentives for governments to boost employment, in order to reduce expenditures on unemployment compensation, social assistance, early pension payments, and the like.

Second, the depth of this economic downturn may enhance support for an enabling orientation to activation. The notion that it is enough for government to simply force or induce work may increasingly lose its lustre. Then again, enormous budget deficits might lead governments to resist demands for a more enabling set of activation supports, and perhaps to cut back on existing efforts.

Whatever its form, I see no reason to expect the activation turn to reverse. And in spite of homogenizing pressures stemming from economic globalization, the European Union, enhanced knowledge about the programmes used in other countries, demographic trends, and the economic crisis, I expect a continuation of the extensive diversity we currently observe in activation strategies and policies.

Transformations of the State
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The University of Bremen's Transformations of the State Collaborative Research Centre (TranState) served as the institutional, intellectual, and administrative home for the preparation of this Handbook. Funded by the *Deutsche Forschungsgemeinschaft* (German Research Foundation), TranState is made up of about a hundred researchers from all disciplines of the social sciences and all stages of career development.

TranState defines the multifaceted modern state in four intersecting dimensions: *resources*, or control of the use of force and revenues; *law*, or jurisdiction and the courts; *legitimacy*, or the acceptance of political rule by the populace; *welfare*, or the facilitation of economic growth and social equality. This Handbook focuses on the welfare dimension. Oxford University Press has now asked TranState to serve as home base for another book in the Handbook series, this time taking a wide-angle, multidimensional view of the state and how it has developed under globalization.

THE OXFORD HANDBOOK OF

THE WELFARE STATE

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