MANNHEIMER ZENTRUM FÜR EUROPÄISCHE SOZIALFORSCHUNG

MZES

Working Paper

Explaining Variations in the Fight against Unemployment in Times of the Global Financial Crisis

A Mixed-Methods Approach

Felix Hörisch
J. Timo Weishaupt

UNIVERSITÄT MANNHEIM

Felix Hörisch
J. Timo Weishaupt

Explaining Variations in the Fight against Unemployment in Times of the Global Financial Crisis

A Mixed-Methods Approach

Arbeitspapiere – Working Papers

Nr. 135, 2010

Mannheimer Zentrum für Europäische Sozialforschung

Hörisch, Felix:
Explaining Variations in the Fight against Unemployment in Times of the Global Financial Crisis: A Mixed-Methods Approach / Felix Hörisch; J. Timo Weishaupt. –
Mannheim : 2010
(Arbeitspapiere - Mannheimer Zentrum für Europäische Sozialforschung ; 135)
ISSN 1437-8574

Not available in book shops.
Token fee: € 3,00
Purchase: Mannheimer Zentrum für Europäische Sozialforschung (MZES), D – 68131 Mannheim
WWW: http://www.mzes.uni-mannheim.de

Editorial Note:

Felix Hörisch *is a Postdoctoral Fellow at the Mannheim Centre for European Social Research (MZES). He received his doctorate at the University of Heidelberg in 2009. His main research interests are comparative policy analysis, industrial relations, labour market policy and policy advice.*

J. Timo Weishaupt *is a Postdoctoral Fellow at the Mannheim Centre for European Social Research (MZES). He received his doctorate at the University of Wisconsin, Madison in 2008. His research interests are comparative public policy analysis, labour market governance, and institutional change and the role of ideas.*

Abstract

The global economic and financial crisis that commenced in 2008 has triggered massive increases in unemployed in almost all Western industrialized nations. Among the OECD nations, about half have reacted – *inter alia* – by introducing or expanding temporary, public sector jobs in the so-called "second labour market". This had also been a preferred option in the 1980s, following the oil shocks. Since then, however, these programs have increasingly been seen as ineffective and their use remains highly controversial. *What then explains that numerous OECD countries have opted for this type of intervention, while others have not?* By applying a mixed-methods approach, we first identify through the application of a discriminant analysis that the financial room for manoeuvre coupled with a rapid rise in youth unemployment are the best predictors for the introduction of direct job-creation measures. Subsequently we carefully trace the political events in three most different systems, including Germany, Sweden and the UK, thus elaborating on the how and why these two factors are crucial explanatory variables.

Contents

1 Introduction[1]

The most recent global financial and economic crisis that has affected not only the economic output in literally all industrialized nations, but has often also been accompanied with a rapid and significant raise in unemployment levels. Those persons, who had already been unemployed prior to the crisis, now face both fewer job vacancies and are in tighter-than-ever competition with "short-term," and thus in the eyes of most employers, more employable jobseekers. Especially for low-skilled workers, labour-market entrants, older workers, minorities, or persons with other additional hurdles, the risk of becoming long-term unemployed has dramatically increased. Not surprisingly, in most Western countries voices become loud for the state to – *inter alia* – step in and create "employment opportunities" in the so-called second labour market.

While social democratic parties often promote such (voluntary) programmes to offer jobseekers a dignified alternative to unemployment (Quinn 2006), conservative political parties favour (obligatory) "workfare" programmes which are used as "work tests," sorting out "deserving" form "undeserving" benefit recipients (Handler 2004). In either case, such programmes remain highly controversial. On the one hand, they are expensive and thus opposed by fiscally-conservative voters. Businesses are also rather sceptical about such programmes as they fear – despite policy makers' promise to the opposite – that these jobs will be a low-cost, state-subsidized competition. Finally, labour unions also often view such instruments critically because they fear such workers are 'abused' – especially if a government proposes an obligatory programme – or that such recruits could replace unionized workers and/or increase downward wage pressures. On the other hand, evaluation studies have shown that such programmes – while being justifiable in social or ideological terms – are rarely an effective instrument in improving participants' chances to be reintegrated into the open labour market (OECD 2009b, 93).

In light of increasing demand for the state to tackle rising levels of unemployment and to prevent the manifestation of long-term unemployment with all its socio-economic negative consequences, about half of the OECD member governments have introduced or expanded direct job-creation programmes, while the other half did not do so. *What explains this variation? Is the decision a reflection of partisan composition in government? Is it based on governments' financial "room for manoeuvre"? Are such programmes only issued in countries with above-average spikes in unemployment?*

In what follows, we seek to shed light on these questions, which present a promising context to learn more about how policy makers make difficult decisions in the context of the large-scale crisis. This paper combines quantitative statistical test (discriminant analysis), with an in-depth analysis of three carefully selected cases, maximizing empirical and analytical insights. The paper is structured as

[1] We would like to thank Carlo Knotz for data preparation and the anonymous referee for the valuable comments.

follows. First, we provide some background to the history and definition of direct job-creation programmes. We then elaborate on why a mixed-method approach is the most promising way to explain the condition under which countries do (not) introduce/expand direct job-creation programmes, before applying a discriminant analysis (DA) to systematically identify the most significant explanatory variables. Subsequently, we investigate three country cases in more depth, two of which have introduced and/or expanded direct job-creation programmes, including Sweden and the UK, and Germany, which has not. These three countries represent not only three different welfare state traditions and three countries that are governed by very different governmental constellation (a Grand Coalition in Germany, a four-party, centre-right coalition in Sweden, and a single-party, centre-left government in the UK), but two of the countries have been predicted correctly by our model (Germany and the UK), while one has not (Sweden). By looking at least one case that has been predicted incorrectly, we hope to identify any possible misspecifications of the model or missing variables.

2 Brief History and Definition of the Second/Third Labour Market:

Direct job-creation by governments to provide employment opportunities – or separate "deserving" from "undeserving" benefit recipients – has a long history. So-called "paupers" were forced to work in "work houses" and other projects to receive meagre assistance from municipal authorities already in the 1800s. In the first quarter of the 20th century, public works projects were massively used across the Western world, most (in)famously in US by President Roosevelt or the National Socialists in Germany. During the 1950s and 1960s, public job-creation schemes became an important instrument as part of the "manpower policy revolution," which was spear-headed by Sweden and diffused across the industrialized worlds by the newly-founded OECD (Weishaupt *forthcoming 2010*). After the economic crisis following the 1970s oil crises, governments massively expanded such programmes in most Western countries, before – after various unfavourable evaluations by the OECD and other institutions – direct job-creation measures were increasingly downsized starting in the 1990s and recommended only for particular, disadvantaged groups (OECD 2009b, 93).[2]

It is important to differentiate direct job-creation as a labour market programme from "indirect" job-creation policies issued by governments, such as investment in infrastructure, education etc., or tax incentives and cash subsidies paid to *private* employers who hire unemployed benefit recipients. Direct job-creation measures are a particular labour market policy instrument issued to create a so-called "second" labour market, i.e., sheltered employment which is (a) "additional", i.e., the newly created jobs do not *displace* activities in the first, private labour market; (b) of *communal benefit*; and (c) intended as a *bridge* into the regular labour market. If a direct-job creation measure has no ambition to function as a "stepping stone" into regular employment but is used as a goal in itself, the term "third"

[2] Spending on direct job-creation measures has declined from – on a 17-country OECD average – 0.2percent of GDP in 1995 to only 0.07 in 2007 (OECD 2009b, 69).

labour market is used. As such programmes are purely "social" in orientation they should not be classified as a *labour* market instrument but rather as a *social* programme.

The coding of our binomial dependent variable "introduction/extension of direct job-creation measures" in response to the post 2008 global financial and economic crisis relies on this definition and is based on a survey conducted by the OECD. The OECD sent its members a questionnaire about their labour market policy responses, which included whether governments introduced "job subsidies, recruitment incentives or public sector job creation" and another question on "work experience programmes" (OECD 2009a, 3). Going through the individual countries' answers to both of these questions, we identified those countries that have introduced programmes that match our definition and coded them accordingly (for results, please see Table 2 below).

3 Methodology: A Mixed-Methods Strategy

To answer the question why governments opt for an extension of direct job-creation programmes in the OECD member countries following the global economic and financial crisis, we apply a mixed-methods strategy combining quantitative (discriminant analysis) and qualitative strategies (an overview of methodological questions concerning mixed-method designs is given in, Greene 2007; Teddlie 2009; Wolf 2010). Several authors have stressed the advantages of combining quantitative methods and qualitative process-tracing (Bäck and Dumont 2007; Bennett 2002; Lieberman 2005). Lieberman (2005, 435), for instance, argues that both quantitative and qualitative studies can benefit from the combination of both methodological approaches:

> *Not only are the advantages of each approach combined, but also there is a synergistic value to the nested research design: for example, statistical analyses can guide case selection for in-depth research, provide direction for more focused case studies and comparisons, and be used to provide additional tests of hypotheses generated from small-N research. Small-N analyses can be used to assess the plausibility of observed statistical relationships between variables, to generate theoretical insights from outlier and other cases, and to develop better measurement strategies. This integrated strategy improves the prospects of making valid causal inferences in cross-national and other forms of comparative research by drawing on the distinct strengths of two important approaches.*

In this study, we follow these scholars' advice. First, we run a discriminant analysis to test a variety of hypotheses (see below). Second, we then trace the political processes in a small number of empirical cases to verify and elaborate on the identified causal mechanisms resulting from the discriminant analysis. As we are interested in the determinants of labour market policy decision, we investigate both, "off-the-line" and "on-the-line" cases (for the differentiation between "off-the-line" and "on-the-line" see, Lieberman 2005, 444ff), or rather cases that are predicted either correctly or incorrectly by the DA. An in-depth study of two of the *correctly* predicted cases will help us to develop a deeper understanding of the political mechanisms, which are underlying the statistical effects. An investigation of one of the *incorrectly* predicted cases, in turn, will allow us to potentially identify missing variables in our statistical model.

4 Hypotheses and Empirical Findings of the Discriminant Analysis

In a two-group discriminant analysis we want to examine whether the independent variables are capable of distinguishing (= discriminating) between two groups (for an overview of methodological questions concerning discriminant analysis see also, Härdle and Simar 2003, 323ff; Tacq 1997, 233). Here the first group consists of all states in which direct job-creation programmes were extended in reaction to the financial and economic crisis 2008/2009. The second group is composed by all states in which no new direct job-creation programmes were implemented.

To identify the determinants of direct job-creation programmes extension in the OECD member countries we set up a model including six independent variables which we assume from theory to have an important impact on the decision to enact direct job-creation schemes.[3] The first two variables control for the partisan cabinet composition, as they capture the share of right-wing cabinet members as percentage of cabinet posts (gov_right in the CPDS data sets and of left-wing cabinet members (gov_left) respectively, the reference group consists of centre party government members (Armingeon et al. 2009)). The hypothesis here is that left-wing parties are more likely to promote direct job-creation programmes in the current crisis context to offer jobseekers a perspective beyond unemployment (Quinn 2006). Given the massive lay-offs, the introduction of obligatory programmes for welfare “abusers” seems less likely. Furthermore the extension of direct job-creation programmes is a state-sector enlarging policy measure which is more likely to be chased by left-wing parties (Hibbs 1977; Hicks and Swank 1992; Tufte 1978). Accordingly our hypothesis concerning partisan politics is:

> **H_1**: Left-wing parties in government are more likely to expand direct job-creation programmes as reaction to economic downturn following the financial crisis than right-wing parties.

Three variables control for the socio-economic background of the labour market policy decision (for the impact of socio-economic on policy making variables, see Kerr 1962; Wilensky 1975), because we assume that the economic development political actors face is a key determinant of policy making in times of crisis. Therefore we control for three variables representing the development of the labour market on the one hand and the financial leeway of the government to react to the crisis on the other

[3] The **independent variables** are derived out of the CPDS-I data set containing data for 23 OECD member countries (Armingeon et al. 2009) and OECD.stat. (http://www.oecd.org/document/34/0,3343,en_2649_33927_40917154_1_1_1_1,00.html). The variables for the partisan cabinet composition refer to the year 2008, as the decision about the extension of the direct job-creation programs had to be made in this year. All other variables capturing socio-economic data or the number of institutional constraints also refer to the year 2008 or – where those were not available – to the year 2007.

hand: the standardised unemployment rate (st_unemp), the change in youth unemployment, and the annual deficit (government primary balance) as percentage of gross domestic product (deficit).

The standardised unemployment rate serves as a proxy for the need for labour market programmes and we therefore expect:

> **H_2**: The higher the standardised unemployment rate is the higher the probability of direct job-creation programmes extension.

Furthermore we expect a particular impact of the development on the labour market for young citizens on the probability of applying direct job-creation programmes:

> **H_3**: The higher the rise in youth unemployment (age: 15-24) in a country the more likely the extension of direct job-creation programmes.[4]

On the other hand the annual deficit indicates the actual fiscal leeway and the financial "room to manoeuvre" of a government. As direct job-creation programmes are costly our expectation is:

> **H_4**: The higher the annual deficit of a country, the less likely is an extension of direct job-creation programmes.

Further we controlled for the openness of the economy in current prices, measured as total trade (sum of imports and exports) as a percentage of GDP (openc) as a proxy for the dependency of a country on international markets. Research on social policy has shown that governments try to compensate their citizens for globalisation by expanding the state sector the more the home markets are exposed to international competition (Cameron 1978; Jäkel and Hörisch 2009; Katzenstein 1985; for the contradicting argument, seeScharpf 1999). Therefore we assume:

> **H_5**: The more a country's economy is exposed to international competition, the more likely it is that the government will opt for direct job-creation programmes.

Table 1 gives an overview of the summary statistics for each independent variable for both groups. The table informs about the mean and the standard deviation of the independent variables for the two groups of countries studied here separately. The first group consists of the countries in which no extension of direct job-creation programmes was applied. The second group encompasses all countries in which policy makers opted for this labour market measure to weaken the effects of the international financial and economic crisis on the labour market.

[4] The relative increase in youth unemployment was not included in the original model. However, after carefully tracing the processes in a variety of country cases, the developments suggested that youth unemployment could be a critical factor for explaining the observed variation. Informed by the cases studies, we then included youth unemployment into the model.

Table 1: Group statistics

Independent Variable	No extension of direct job-creation programmes		Extension of direct job-creation programmes	
	Mean	Standard Deviation	Mean	Standard Deviation
Right-wing parties as percentage of cabinet posts	36.25	37.99	51.70	45.52
Left-wing parties as percentage of cabinet posts	41.28	33.40	31.17	41.46
Standardised Unemployment	5.23	2.08	5.95	1.73
Increase of youth unemployment (age: 15 to 24) in percentage points (2007 to 2008)	0.97	0.11	1.08	0.13
Annual Deficit (all levels of government) as percentage of GDP	3.03	1.70	0.77	1.79
Openness of the economy ((Exports + Imports) / GDP)	81.20	35.02	85.74	74.05
Number of countries	12		10	

Before running the discriminant analysis we have run a Box-M test to check whether a discriminant analysis can be applied.[5] The result of the Box-M test indicates that the covariance matrices between both groups do not differ too much and a discriminant analysis can be conducted (Tacq 1997, 254). To include only those variables in the discriminant function that add a significant explanatory value to the discriminant analysis, we apply a stepwise discriminant analysis including only those of the six potentially important variables which discriminate between both groups at a five percent significance level.

5 The Box-M value is 0.103 and thus statistically not significant. As we have only 22 cases and six independent variables a logit regression cannot be applied (Backhaus et al. 2003). We apply a cross section rather than a panel design because we focus on the differences in the labour market policy reactions of the OECD countries directly after the economic downturn caused by the global financial crisis and are not interested in the development of labour market policy over time (cf., Jackman 1985, 175; Kittel and Winner 2005, 288-9).

In the first step the discriminant analysis takes the "deficit variable" in the analysis.[6] Accordingly among the OECD member countries, those countries with large annual budget deficits were at a one-percent significance level less likely to extend direct job-creation programmes. Countries with low budget deficits had more financial "room to manoeuvre" and thus were more likely to adopt direct job-creation programmes to weaken the effects of the economic downturn on the labour market. This implies that the fiscal leeway plays a decisive role in the political decision of applying a direct job-creation programme as a reaction to the economic downturn following the financial crisis.

In the second step the variable controlling for the change in the level of youth unemployment is integrated in the model. This variable is significant at the one-percent significance level indicating that governments in countries with larger increases in youth unemployment are more likely to adopt (additional) direct job-creation programmes. In the third step none of the four remaining variables is significant at a five percent level. Therefore all other variables may not be included in the final discriminant function as they do not add a significant contribution to the model.

Based on these findings, we fail to reject hypotheses H_3 and H_4, which suggests that the fiscal leeway of governments and the rise in youth unemployment are the most important factors when governments decide whether to extend direct job-creation programmes. On the other hand, hypotheses H_1, H_2 and H_5 are not underpinned by our empirical findings and can be rejected. Both partisan political variables – the share of right-wing and left-wing cabinet members as percentage of cabinet posts – are not included in the discriminant function, indicating that partisan politics played no major role in the decision whether or not to extend direct job-creation programmes.

As can be seen in Table 2, twenty of the twenty-three countries are predicted correctly by the discriminant function, including only the two variables deficit and change in youth unemployment.[7] Three countries are predicted incorrectly, while for Iceland the information about a possible extension of direct job-creation programmes is missing in the OECD background paper (OECD 2009c). The value of the discriminant function can be interpreted as a proxy for the probability of the extension of direct job-creation programmes.

---

[6] The results are robust if we control for the change of unemployment between the first quarter of the year 2008 and the first quarter of 2009 and / or the gross government debt as percentage of GDP. As expected the increase in unemployment is higher in countries that adopted direct job-creation schemes (2.67%) than in countries that did not opt for this labour market policy (1.23%). Because of the high standard deviation within both groups (2.36% and 1.46% respectively) the increase of youth unemployment discriminates much better between both groups than the increase in overall unemployment. This indicates that labour market policy makers care more about increases in youth unemployment than in overall unemployment when opting for or against direct job-creation schemes. Therefore we dropped the change in total unemployment to keep the model smooth and because we would loose one case because of missing data otherwise. The results are also robust for including gross government debt in the model, as both groups of countries do not differ substantially in regard to their gross government debt (58.5% of GDP in countries that did not adopt direct job-creation schemes to 61.2% in the other countries).

[7] The Chi-square value of the discriminant function is 15.384, the eigen-value is 1.247, the canonical correlation coefficient 0.745, indicating that the discriminant function discriminates at a 1%-level of significance between the group of countries which have extended direct job-creation programs and those who have not.

Table 2: Case wise statistics

Country	Real Group	Predicted Group	Discriminant Value
Australia	0	0	.767
Austria	0	0	.385
Belgium	0	0	3.085
Canada	1	0*	-.181
Denmark	0	0	1.492
Finland	0	0	1.723
France	1	1	-1.001
Germany	0	0	1.317
Greece	0	0	-.079
Iceland	Ungrouped	0	.414
Ireland	1	1	-2.062
Italy	0	0	.235
Japan	1	1	-1.324
Luxembourg	1	1	-.199
Netherlands	0	0	.861
New Zealand	0	1*	-.286
Norway	0	0	1.972
Portugal	1	1	-.673
Spain	1	1	-1.615
Sweden	1	0*	.282
Switzerland	0	0	.192
UK	1	1	-1.828
USA	1	1	-3.065

* = Incorrectly classified case; ungrouped: data not available

A high (positive) value is indicating a low likelihood of adopting additional direct job-creation programmes, whereas a low (negative) value indicates a high probability for this policy action. The following qualitative analysis, including one of the deviant cases – Sweden – allowed us to identify how the identified variables affected policy making. Indeed, by carefully tracing the events in these three countries we realized that our model was underspecified as the rapid increase in youth unemployed appeared to be a major factor in both Sweden and the UK in favour of direct job-creation programs, while its absence suggested being relevant for Germany's non-decision. The study of Sweden, the case not predicted accurately in our model, did not yield any findings that contradict our model.

5 The Case Studies: Sweden, UK and Germany

5.1 Sweden

Swedish manpower policy, which was fully institutionalized in the 1960s, is typically seen as the "originator" of modern ALMPs (Weishaupt *forthcoming 2010*). While Swedish ALMPs had at first been mostly supply-side oriented, i.e., based on job-placement, job-counselling and skills training, during the world economic downturn in the 1980s, demand-side, public job-creation measures became more and more popular. During the early 1990s, when the Swedish economy was hit hard by a home-made crisis, ALMPs of all sorts – supply and demand-side – were first massively expanded and access to "demand-reducing" early retirement and disability schemes became more and more widely used. Even though the Social Democrats gradually tightened the use of these measures, the centre-right Moderates were able to portray the Social Democrats as being unfaithful to the traditional "work-line" during the run-up to the national elections in fall 2006. On October 6, 2006, a four-party bourgeois coalition government led by the Moderates took office. This is only the second time that a non-socialist government is in power since the end of World War II. Fredrik Reinfeldt from the Moderates became the new Prime Minister. Moderates also headed the Ministry of Finance and the Ministry of Employment. The agrarian Centre Party received the Enterprise and Energy, the socially-conservative Christian Democrats the Ministry of Health and Social Affairs, and the market-oriented Liberal People's Party the Ministry for Education and Research.

Once in power, the centre-right coalition issued various reforms in order to "re-establish the Swedish model" (Borg 2008). With respect to the labour market, changes concentrated on a forceful *re*-institution of the "work-first" principle, though *inter alia* (a) a new system of tax credits to increase work incentives, (b) an overhaul of the unemployment insurance system (higher premiums, tighter access conditions, lower payout),[8] (c) a reorganization of the Public Employment Service, and (d) a shift away from (expensive) labour market training measures toward more activation of the short-term unemployed through improved matching and counselling, subsidies for employers who hire long-term unemployed persons, "step-in" jobs for immigrants, as well as a "job and development guarantee" for long-term unemployed and a "job guarantee" for young job seekers (cf., Government of Sweden 2008a; Government of Sweden 2008b). The job guarantees, which are programmes for job-seekers without access to unemployment insurance payments, replaced the Social Democrats "activation guarantees" and are structured in two or three phases, depending on the age of the jobseeker. The "job and development guarantee" for adult, long-term unemployed is structured as follows: During a first phase that last for a maximum of 150 benefit days, jobseekers are offered intensive job-search and counselling services. In the second phase, participants are offered some type of on-the-job training with an employer. Jobseekers, who still have not found a job after 450 days, are referred to the third phase, where they will be offered a job in the "second labour market", typically with a social firm or a non-profit organization (Government of Sweden 2008b, 58). The "job guarantee" for young job seekers, in turn, only lasts a maximum of 15 months and offers programmes similar to the first two phases of the "job and development guarantee". All participants on these guarantees are required to continuously look for and accept a job in the first labour market and are still registered as unemployed, which prevents a "massaging" of unemployment statistics and the permanent "parking" of participants in the second labour market (The Local 2010a).

As all of these measures were introduced during a generally positive economic development, people were less worried about getting unemployed and the number of welfare rolls significantly dropped throughout 2007 – and the beginning of 2008. While the overall number of benefit claimants declined by twelve percent, the reduction "was most pronounced for people receiving unemployment benefits, which went down by 35 percent" (The Local 2008). During the first half of 2008, the government and the Swedish people remained optimistic, partially also because of the government's favourable budget. More specifically, after taking office in 2006, the centre-right government had an annual budget surplus of over SEK 100 billion in 2007 and 2008, and in 2009, the overall governmental debt was at "only" 37.6% of GDP, well below the EU's Stability and Growth Pact target of 60% (Government of Sweden 2010a; Government of Sweden 2010b).[9] In the fall, however, the global financial and economic crisis that began in the US had also reached Europe, and economic forecasts predicted lower growth and an increase in unemployment. By early winter, the government had to further downgrade economic expectations and public debates emerged as to how react to the crisis. The opposition parties demanded higher unemployment benefits and increasing job training for those who lost their jobs, while the government insisted on stabilizing the business climate to prevent job losses and encourage job growth.

Entering the crisis with public finances in good order, Sweden's conservative government reacted swiftly to the crisis. As early as December 2008, the government launched – at that time – Europe's most extensive stimulus package in relative terms (Gamillscheg 2009). Individuals were offered tax deductions for home repairs, maintenance and improvement, while many industries – including the automobile industry, which was not treated in any special way – received "rescue loans" to facilitate economically weakened companies' restructuring or liquidation plans. More direct state support was issued in form a massive tax reduction for the construction sector, allocating € 92 million for the restoration of roads and railways, and channelling more money to local governments to avoid redundancies in the public sector (Lovén 2009b). With respect to the labour market, the government announced that it would reduce unemployment premiums by SEK 50 to encourage insurance membership and relax membership criteria, which mainly benefited workers in atypical – part-time – positions.

---

8 These changes, in turn, led to a rapid drop in UI fund membership. Within the first four months of 2007 alone, some 210,000 people cancelled their insurance policies (Brunk 2007).

9 The data refers to the central government's budget only.

When new labour market statistics were published in March 2009, analysts were shocked about the unexpectedly rapid increase in unemployment. While overall unemployment reached eight percent – the prediction had been 7.2 percent – especially young people were hit hard. The jobless rate among the 15 to 24-year-olds increased from 19 percent in March 2008 to 24.8 percent (The Local 2009a). Accordingly, in the Spring Fiscal Policy Bill of 2009, the government promised to put forward decreases in employment and other taxes to stimulate job creation and to invest an additional SEK 10 billion in labour market programmes, including internships, work placement schemes, and training programmes. Moreover, the government provided additional resources to the PES to improve and intensify job-search and counselling services through the introduction of new "coaching" measures that involve private placement agencies with the aim to further improve job-placement and counselling services, and appointed regional "coordinators" to promote regional cooperation when redundancy notices are issued, and introduced (cf., Government of Sweden 2009; OECD 2009c, 15). With respect to specific ALMP, the government refrained from expanding high-quality training schemes (Fiscal Policy Council 2009b, 12), but increased the number of direct job-creation programme places (about 21,600 new full-year positions), doubled subsidies for "new start jobs" (employers receive a subsidy equivalent to the full employer's payroll tax when hiring a long-term unemployed, a person on sick leave or a person on disability pension for more than one year), expanded the number of places in vocational education colleges and increased appropriations for universities, and prepared for a dramatic increase – more than 100,000 persons in 2009 and 2010 – in the number of participants in "job and development guarantee" as well as the "job guarantee for young people" (Fiscal Policy Council 2009a, 184-5). Finance Minister Borg described the massive increase in the guarantee schemes as a forceful initiative, indeed as the "biggest expansion of active measures in any European country and one of the biggest efforts ever" (cited in Fiscal Policy Council 2009a, 189).

However, when the labour market continued to deteriorate throughout 2009 and youth unemployment had doubled in August 2009 when compared to the same month in the previous year (The Local 2009b), the government announced in August to invest an additional SEK 8.4 billion in labour market measures, including SEK two billion into a new programme called *Lyft*. Rather than expanding (costly) training and retraining measures for the unemployed,[10] the government decided to put forward a measure that would quickly provide employment opportunities and thus address the problem immediately. The new programme Lyft was aimed at creating 40,000 temporary direct job-creation places for persons in either of the two guarantee schemes, i.e., the long-term and youth unemployed, in areas such as repairs or maintenance at county councils or municipal schools, care centres, cultural institutions or in forestry (Lovén 2009a). An additional 12,000 places were created in work placement schemes, vocational training and coaching programmes. Despite urges by the Liberal Party as well as the Employers' Confederation to overhaul the Swedish employment protection legislation and to introduce lower-paid, less secure "apprenticeships", the Moderate Prime Minister and his colleagues in the Finance and Employment Ministry refused to do so. Similarly, calls for a temporary, anti-cyclical rise in unemployment benefits were not answered. As such, the PM hoped to come out of the crisis through a combination of income and payroll tax cuts to improve incentives to take up work, heightened efforts to assist the unemployed in their job searches, governmental investments into Swedish infrastructure, and large-scale “activity” – but not training – measures, offering a (weak) labour market attachment. The latter measure had become possible due to a sound budget in previous years and was politically attractive as the government seemed to swiftly offer “something” to youth and other people with difficulties entering the labour market.

5.2 UK

When Tony Blair (Labour Party) won the national elections in 1997, he had inherited a highly flexible labour market and a stringent and rather meagre system of unemployment benefits. Rather than radically breaking with this “liberal” path of the previous Tory government, the mantra of “New” Labour was the promotion of a “Third Way” located in between traditional socialist (i.e., “old” Labour) ideals that are centred on active state interventions and a neoliberal, free-market paradigm. With respect to policies located at the work-welfare nexus this meant a *continuation* of the strict benefits regime introduced by John Major in 1996, *coupled* however, with the gradual modernization of the British PES, i.e., turning Employment Agencies into JobCentres Plus (JCP) that offered “customer-friendly” job-search and counselling services and administered and paid out all social benefits; a comprehensive tax and benefit reform that was designed to “make work pay”, the introduction of – and gradual increase in – a statutory minimum wage, and the launch of various New Deal programmes to encourage economic activity and prevent long-term unemployment (Clasen 2005; Lindsay 2007; cf., Lindsay and Mailand 2004). While this deal was originally mainly targeting a “lost generation” of long-term youth unemployed, over time, New Deal offers for adult long-term unemployed, older workers, lone parents, dependents of benefit recipients and disabled persons followed. As these New Deal offers generally followed a Gateway phase of intense individual coaching and job-search activity, only few people entered the New Deal and even fewer people were offered a place in a communal direct job-creation programme or the environmental task force. As such, the Labour government – in stark contrast to the direct job-creation programmes launched in the 1970s and 1980s by both Labour and Conservative governments – prioritized front-end “activation” over state-issued employment (Weishaupt *forthcoming 2010*). When Gordon Brown became new Prime Minister in 2007, he began to somewhat re-focus the New Deal programmes by making them more “flexible”, which mainly involved the contracting out of services to private service providers after a prolonged (typically one-year) spell with the JCP (Weishaupt 2010b). The twelve-month cut-off also meant that jobseekers would be “activated” earlier (i.e., after six months or even earlier in the case of young jobseekers of persons at risk of becoming long-term unemployed), receive more personalized services and a more thorough skills assessment (HM Government 2008, 34). As a result of sustained growth and a modernized welfare regime, by

[10] The government did increase, however, expenditure on university education in an all-time record of university students was recorded in 2009 (The Local 2010b).

2008, there were more people in work than ever in British history, unemployment benefit claimants had reached the lowest level in over 30 years, and long-term unemployment was less than a quarter of its 1997 level (Department for Work and Pensions 2009, 7). As in Sweden, overall government debt was below 40 percent by the beginning of 2008, while the government accrued annual debt, which however remained at low levels and below the EU’s three-percent target (HM Treasury 2009, 36).

Despite this strong position the British economy was hit hard by the global economic and financial crisis. In the summer months of 2008, unemployment rose quickly and especially young jobseekers were affected. Following the collapse of Lehman Brothers, a US investment bank, in September 2008, economists predicted that the unemployment rate would raise by about 1.5 million to a total of three million, or 9 percent, by the end of 2010 (Seager et al. 2008). In November, the Brown government outlined a massive stimulus package that was designed to “rescue” the financial sector, unfreeze credit markets, and to cushion the effects of the housing crisis. With respect to the labour market, Brown announced a moratorium on planned *JobCentre Plus* closures and promised more money for frontline staff (Economist 2008). The government did not, however, boost the very meagre unemployment benefit levels as demanded by the Trade Union Congress (TUC) (Seager 2008), and the introduction of a German-style “short-time work” programme was entirely absent in the public and political discourse. Rather, the government continued its course and even reinforced activation policy, repeatedly referring to the lessons learned during the recession in the 1980s. The government was especially concerned about another “lost generation” of young workless, who would never be able to enter the labour market, even when the economy rebound, due to the scarring effects of long-term unemployment. In the coming months, the government would promise an additional 35,000 apprenticeship places, funds for firms to offer internships to college graduates, and a 2,500 pound financial incentive for firms who hired someone who had been unemployed for at least six months (Stratton 2009). All the same, the IMF predicted that Britain would be hit harder than any other developed country, while unemployment continued to climb. In March 2009, the unemployment statistics then showed over two million people out of work, a symbolic threshold that was portrayed in all newspapers and put PM Brown under severe pressure to act.

In April 2009, Chancellor of the Exchequer, Alistair Darling, announced a “budget for jobs” worth three billion pounds, which included more generous contracts to providers of the Flexible New Deal – who had threatened to pull out of the scheme as they are only paid when they place jobseekers into jobs – additional resources for JCP to hire more personnel and open longer hours, recruitment subsidies for firms that employ 18-to- 24-year olds who had been out of work for more than 12 months, and direct job-creation measures with the aim to generate 250,000 jobs over the following two years (Elliott 2009). Two of the three million pounds were to go to job-creation measures, reminiscent of the programmes launched in the 1980s. In particular, jobs for youth unemployed were outlined and financed through the one billion pounds worth *Future Jobs Fund* initiative, which was expected to create 100,000 to 150,000 six-month long work opportunities for young jobseekers, who have been out of work for 12 months, and others, who face significant disadvantage in the labour market (HM Government 2009, 30). This “job guarantee” was – much in the tradition of the New Deal for Young

People, and loudly criticized by the TUC – obligatory and refusal to participate would lead to the loss of benefits. The jobs would be created in the public, private and non-profit sector through governmental subsides, which would be paid if:

- the job will last for at least 6 months – 25 hours per week; to at least minimum wage
- the jobs are additional – they would not otherwise exist (which is checked by a local panel that includes labour union representatives)
- the jobs demonstrate community benefit

JCP would recruit participants and local authorities were encouraged to partake in the bidding. In addition to these direct job-creation measures, the government aimed for the creation of an additional 100,000 jobs in growth sectors such as social care and hospitals, and in the future low-carbon economy. Similar to Sweden, but in stark contrast to Germany, the government – referring to a tight budget – did not provide any additional funds to subsidize companies who keep people in work (Elliott 2009).

Despite these massive interventions, the numbers of 16 to 24-year-olds not in employment, education or training (NEETs) breached the one million mark in November 2009. The same month, PM Brown pledged that every young person aged 18 to 24 would get a job or training. In his Pre-Budget Report, published in December, all young people out of a job for more than six months were guaranteed a work or training place on council-led job creation or community work schemes (Alistair Darling 2009, 7). These places were to come also from the *Future Jobs Fund*. While the offer was optional at the six-month threshold, take-up becomes mandatory before completing ten months on JSA. Other pledges included more personalized job-search and counselling services offered "from day one", as well as a 40 pounds a week Better off in Work Credit, and a Graduate Guarantee that graduates still unemployed after six months will be offered an internship or other support.

In sum, the British government followed a course that could roughly be summarized as "more of the same". In other words, the government did *not* follow the urges of the labour unions to increase unemployment benefits and did *not* follow the German example to offer firms incentives to retain temporarily redundant workers. Rather, the government tightened activation measures and massively expanded direct and indirect job-creation measures, in particular, for young jobseekers. As such, it has been a "typical" New Labour response, which was "too little" state intervention for the traditional Left and the labour unions, and "too much" meddling with the labour market for the Conservative opposition party.

5.3 Germany

Germany is a country traditionally known for its sluggish employment growth and wide-spread inactivity (Streeck 2001). Ever since the oil crises in the 1970s, employment growth has been much more moderate than in other countries, especially in comparison to the Nordic and Anglo-Saxon countries. There has also been a persistent base of long-term unemployment, which has grown with each recession. In reaction to large-scale and often persistent unemployment, Christian-Democratic/Liberal governments have used a combination of early-retirement schemes, lengthy vocational skills generating courses and direct job-creation measures to relax pressure on the labour market, first in the 1980s and even more so in the early 1990s after the "shock" of German unification. Especially in the eastern parts of Germany, so-called *Arbeitsbeschaffungsmassnahmen* (ABMs), offered by mainly municipal authorities and church-affiliated community service providers, supplied employment opportunities for hundreds of thousands of workers (Weishaupt *forthcoming 2010*). As these programmes were relatively unsuccessful in assisting participants in finding work in the open labour market, the bourgeoisie government began to trim the use of ABMs during the latter half of the 1990s. Subsequently, the Red-Green coalition, which took office in fall 1998, massively reduced the availability of ABMs as part of the Hartz reforms. While there were almost no places in direct job-creation programmes left for short-time unemployed (receiving the new unemployment benefit I, or *Arbeitslosengeld I*), long-term unemployed and former social assistance recipients – both groups have been merged into one, receiving the so-called unemployment benefit II (*Arbeitslosengeld II*) – a new direct job-creation programme, popularly known as "one-Euro job", was introduced, offering a financial remuneration of about one Euro per hour in addition to benefit payments.[11] These one-Euro jobs are typically limited to a maximum of nine months (except for older workers) and offer little or no training.

When in fall 2005 a CDU/CSU-led Grand Coalition took office, they inherited a significantly restructured German welfare state and a friendly economic climate.[12] Similar to the developments in Sweden and the UK, the general economic upturn during 2005 and 2007, led to rapidly falling numbers in unemployment – from a peak of 5.29 million in February to the lowest point of 2.99 million in November 2008 – while reaching an all-time record of more than 40,000,000 persons in employment (Bundesagentur für Arbeit 2010, 4-5). With an expanding tax base – and a parallel three percentage point increase in the value-added tax generated more than 20 billion Euro extra revenues – the public deficit continuously shrank and 2007 became the first year in Germany since 1969 in which the government had higher revenues than expenses – albeit in a context of comparatively high levels of overall governmental debt (65% of GDP) and thus above the EU's 60% target (cf., Federal Office for Statistics 2010). Moreover, due to the positive labour market trend, the German PES, the *Bundesagentur für Arbeit* (BA), was able to generate significant budget surpluses, which encouraged the Grand Coalition to further reduce payroll taxes for unemployment insurance and to completely abolish the small number of remaining ABM programme places. In turn, for very long-term, extremely difficult-to-place unemployed persons, a new direct job-creation scheme, the *JobPerspektive* was introduced on the SPD's initiative in 2008 (Weishaupt 2010a).

---

[11] The level of remuneration ranges from 1 Euro to 2,50 Euro dependent on region and kind of work.

[12] For more details about the welfare restructuring efforts, i.e., the so-called Hartz reforms, please consult for instance Eichhorst et al. (2008) or Weishaupt (2010a). Also the union willingness to moderate wage increased has improved Germany's competitiveness in the global economy. On the flipside, this wage moderation has contributed to Germany's sluggish domestic demand which is internationally often critiqued.

When most of Europe was affected by the consequences of the global financial crisis in the summer and fall of 2008, Germany remained in a very favourable position and at first unemployment continued to decline. Only in October, Finance Minister Steinbrück stated that there were "tendencies of a recession" and a first governmental "stimulus package" (*Konjunkturpaket*) was debated. While a 500 billion Euro rescue plan for banks was quickly agreed upon, the Grand Coalition was less committed to intervene in the labour market. In early November, the government agreed to a "bundle of measure" worth 30 billion Euro, including credits for small and medium sized businesses, a promotion of investment in the public infrastructure and a climate-friendly remodelling of private buildings, as well as tax incentives to buy new cars (Kreutzfeldt 2008). Throughout November and December, the coalition debated how to continue the support for a shrinking economy and to minimize job losses. In January, the government announced that a second "stimulus package" was to be issued, including cash incentives to buy new cars (*Abwrackprämie*), direct investments in the construction sector, tax and payroll cuts as well as an extension of short-time work, or *Kurzarbeit*, from six to 18 months. The package worth 50 billion Euro was then issued in February. Especially the extension of short-time work prevented many firms from laying of their workers, as the programme not only allowed firms to reduce working hours (and thus reduce labour costs), but it offered compensations for the loss in income to workers (paid by the BA), as well as financial incentives to firms to send their workers to training courses during the hours not work. As such, the *Kurzarbeit* was seen as a "win-win-win" situation for firms (who kept their highly-trained staff), the state (for whom *Kurzarbeit* appeared less expensive than paying UB) and workers (who kept their jobs). Subsequently, Minister for Employment and Social Affairs Olaf Scholz (SPD) increased the duration for short-time work to 24 months (until the end of 2009) – much to the praise of the labour unions – increased the budget for ALMP, hired new PES staff to cope with the increased demand, and created incentives for companies to recruit/retain apprentices. In fact, apprenticeship numbers did not decline in 2009 and youth unemployment did not emerge as a salient topic.

While unemployment sky-rocketed during 2009 in most European countries, including Sweden and the UK, in Germany, the rise in unemployment remained rather modest (the 2009 average was only 0.4 percent higher, or 155,000 persons more, than in 2008), despite a 5 percent drop in GDP (Roth 2010). This "employment miracle" was to a large part – but not only – the result of the *Kurzarbeit* scheme (almost 1.5 million workers worked "short-time" in 2009 (Öchsner 2010)), but also due to employment-protecting social partnership agreements and the effective use of working-hour accounts (Möller 2010). Given the firms' preference to "hoard" labour and due to immanent skills-shortage already felt in many sectors, the continued investment in apprenticeships, and the modest increase in unemployment, it is of little surprise that there have been few voices demanding the launch of new, additional direct job-creation schemes.[13]

---

[13] In March 2010, Guido Westerwelle, Vice-Chancellor, Foreign Minister and Chair of the Free Democrats provoked his coalition partner by demanding a workfare-style program for all long-term unemployment. He argued that the State should no longer provide benefits without the obligation to work, "shovelling snow" if necessary. The SPD reacted by arguing that a *voluntary* program for long-term unemployed in the third labour market was desirable, but rejected the FDP proposal. The Chancellor has remained quiet on this issue, and to this date no legislative proposals have followed to put the FDP plan before parliament.

In conclusion, the German government's primary concern was to avoid an increase in overall unemployment. Youth unemployment was – in contrast to the UK and Sweden – not a salient issue. While labour unions as well as firms benefited from the expansion of *Kurzarbeit*, there was little room for an alternative strategy or even discourse. Critique came almost only from the opposition parties, including the Left Party, who wanted a much more intensive intervention (including the nationalization of key industries and banks) and the Free Democrats, who feared that the *Kurzarbeit* would artificially prolong the life-span of inefficient firms and as such prevent necessary market adjustments.

6 Discussion and Conclusions

The international financial and economic crisis of 2008/2009 posed severe challenges to governments all over the world. In response to a severe dip in economic production, many states passed large economic stimulus packages through their parliaments – including all three cases discussed in this paper – in addition to expanding a variation of labour market measures, including short-time working schemes to minimize job losses, increases in expenditures on active labour market measures, and/or extensions in unemployment benefit coverage or generosity (for an overview, see OECD 2009c).

This paper focuses on the introduction/expansion of highly controversial direct job-creation programmes, which ten out of twenty-two of the countries in our sample chose to do. Expanding direct job-creation measures is a somewhat logical response given the lack of demand in the private sector, yet it is also a very controversial one as past evaluations have been rather critical of such programmes' success in placing participants into jobs after completion of the programmes' duration. Combining quantitative studies with the in-depth-analysis of three carefully selected cases, we first identified the political determinants of the governmental decision whether to implement or extend direct job-creation programmes: the fiscal leeway of central governments to do so and the rise in youth unemployment. Knowing these two factors, we can predict 19 of our 22 cases correctly, while three were predicted incorrectly. Controlling for alternative factors, we have shown that the partisan political composition of governments plays virtually no role in the prediction of the governmental decision as both left- and right-wing parties in government have the same probability of opting for and against job-creation programmes. Other factors such as the overall level of unemployment, the generosity of benefits, or the flexibility of the labour markets did not show any significant results as well.

The subsequent examination of three country cases including Sweden, the UK and Germany, has elaborated on the mechanisms behind these factors. By contrasting the UK with Sweden, we have seen that partisanship, welfare regime type and union strength are irrelevant factors. Rather, it was the rapid increase in (youth) unemployed – coupled with existing financial resources – which provoked the Labour government in the UK and the centre-right coalition government in Sweden to massively expand direct job-creation schemes in order to prevent another "lost generation" of youngsters and to keep other groups at risk of becoming long-term unemployed attached to the labour market. The examination of Germany, in turn, illustrated that the grand coalition's focus on "short-time work" as well as German firms' continuous willingness to hire apprentices ameliorated pressures to artificially create jobs through public programs. In fact, the government and the opposition parties – except the far-left Left Party – not even debated a "re-visiting" of ABMs as it was done in the aftermath of German unification.

7 References

Armingeon, Klaus , Sarah Engler, Marlène Gerber, Philipp Leimgruber, and Michelle Beyeler. 2009. *Comparative Political Data Set 1960-2008*. University of Bern: Institute of Political Science.

Bäck, Hanna and Patrick Dumont. 2007. "Combining Large-n and Small-n Strategies: The Way Forward in Coalition Research." *West European Politics* 30:467-501.

Backhaus, Klaus , Bernd Erichson, Wulff Plinke, and Rolf Weiber. 2003. *Multivariate Analysemethoden: Eine anwendungsorientierte Einführung*. Berlin/Heidelberg: Springer.

Bennett, Andrew 2002. "Where the Model Frequently Meets the Road: Combining Statistical, Formal, and Case Study Methods." *Paper prepared for Presentation at the 2002 APSA Conference in Boston, 29 August–1 September*.

Borg, Anders. 2008. "Re-establishing the Swedish Model." *Presentation at The Economist's conference on Sweden. Available for download at: http://www.sweden.gov.se/sb/d/9698/a/99803, last accessed on March 29, 2010.*

Brunk, Thomas. 2007. "Government to Impose Mandatory Membership of Unemployment Insurance Fund." *EIROnline, SE0706039I*.

Bundesagentur für Arbeit. 2010. *Grundsicherung in Deutschland. 5 Jahre SGB II - Die wichtigsten Ergebnisse im Überblick*. Nuremberg: Bundesagentur für Arbeit.

Cameron, David R. 1978. "The Expansion of the Public Economy: A Comparative Analysis." *American Political Science Review* 72:1243-1261.

Clasen, Jochen. 2005. *Reforming European Welfare States: Germany and the United Kingdom Compared*. Oxford; New York: Oxford University Press.

Darling, Alistair. 2009. *Securing the Economy: Growth and Opportunity. Pre-Budget Report. Cm 7747*. London: The Stationary Office.

Department for Work and Pensions. 2009. *Building Britain's Recovery: Achieving Full Employment. Cm7751*. London: The Stationary Office Limited.

Economist. 2008. "Pressing on; Welfare Reform in a Recession." November 29, US edition, retrieved via LexisNexis.

Eichhorst, Werner, M Grienberger-Zingerle, and Regina Konle-Seidl. 2008. "Activation Policies in Germany: From Status Protection to Basic Income Support." Pp. 17-68 in *Bringing the Jobless into Work? Experiences with Activation Schemes in Europe and the US*, edited by W. Eichhorst, O. Kaufmann, and R. Konle-Seidl. Berlin/Heidelberg: Springer.

Elliott, Francis. 2009. "£3bn to save future generations from unemployment scrapheap." *The Times* April 23, page 10.

Federal Office for Statistics. 2010. "Europäische Union (EU)-Stabilitätspakt." *available online at: http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Navigation/Statistiken/Vo* lkswirtschaftlicheGesamtrechnungen/EU-Stabilitaetspakt/EUStabilitaetspakt.psml, *last accessed on June 17, 2010.*

Fiscal Policy Council. 2009a. *Swedish Fiscal Policy. Report of the Fiscal Policy Council 2009.* Report published on May 11 at http://www.finanspolitiskaradet.se/download/18.75eae27c1223be52adb800042157/Swedish+Fiscal+Policy+2009.pdf, last accessed on March 24, 2010. .

—. 2009b. *Swedish Fiscal Policy. Report of the Fiscal Policy Council 2009. Principal Conclusions and Summary*. Report published online on May 11, available at http://www.finanspolitiskaradet.se/download/18.75eae27c1223be52adb800042551/Summary+2009b.pdf, last accessed on March 25, 2010. .

Gamillscheg, Hannes. 2009. "Schweden mit größtem Paket." *Die Presse* December 6, online edition.

Government of Sweden. 2008a. "Budget Statement and Summary. From the Budget Bill 2009. Putting Sweden to Work, Safeguarding Welfare." *Regeringskansliet*.

—. 2008b. *The Swedish Reform Programme for Growth and Jobs 2008 to 2010*. Stockholm: Prime Ministers Office.

—. 2009. "Labour Market Measures." *http://www.sweden.gov.se/sb/d/11786/a/122697, last accessed on March 29, 2010*.

—. 2010a. *Summary of the 2010 Spring Fiscal Policy Bill*. Available for download at: http://www.sweden.gov/sb/d/2798/a/143992.

—. 2010b. *Summary of the Central Government Budget*. Available for download at: http://www.sweden.gov.se/sb/d/2798/a/47742.

Greene, Jennifer C. 2007. *Mixing Methods in Social Inquiry*. San Francisco: Jossey-Bass.

Handler, Joel F. 2004. *Social Citizenship and Workfare in the United States and Western Europe: The Paradox of Inclusion*. Cambridge, U.K.; New York: Cambridge University Press.

Härdle, Wolgang and Leopold Simar. 2003. *Applied Multivariate Statistical Analysis*. Berlin: Springer.

Hibbs, Douglas A. 1977. "Political Parties and Macroeconomic Policy." *American Political Science Review* 71:1467-1487.

Hicks, Alexander M. and Duane H. Swank. 1992. "Politics, Institutions, and Welfare Spending in Industrialized Democracies, 1960-1982." *American Political Science Review* 86:658-674.

HM Government. 2008. *Lisbon Strategy for Growth and Jobs: UK National Reform Programme*. London: The Stationary Office.

—. 2009. *Lisbon Strategy for Jobs and Growth: UK National Reform Programme 2009*. London: The Stationary Office.

HM Treasury. 2009. *Budget 2008: Stability and Opportunity: Building a Strong, Sustainable Future*. London: Stationary Office.

Jackman, Robert W. 1985. "Cross-National Statistical Research and the Study of Comparative Politics." *American Journal of Political Science* 29:161-182.

Jäkel, T. and Felix Hörisch. 2009. "Die Deregulierung von Arbeitsmärkten im OECD-Vergleich zwischen 1990 und 2005." Pp. 83-104 in *Deutschland zwischen Reformstau und Veränderung ein Vergleich der Politik- und Handlungsfelder*, vol. 4, edited by U. Wagschal. Baden-Baden: Nomos.

Katzenstein, Peter J. 1985. *Small States in World Markets: Industrial Policy in Europe*. Ithaca, N.Y.: Cornell University Press.

Kerr, Clark. 1962. *Industrialism and Industrial Man: The Problems of Labour and Management in Economic Growth*. London: Heinemann.

Kittel, Bernhard and Hannes Winner. 2005. "How Reliable is Pooled Analysis in Political Economy? The Globalization-Welfare State Nexus Revisited." *European Journal of Political Research* 44:269-293.

Kreutzfeldt, Malte. 2008. "Konjunkturhilfen beschlossen." *Die Tageszeitung, November 6, page 12*.

Lieberman, Evan. 2005. "Nested Analysis as a Mixed-Method Strategy for Comparative Research." *American Political Science Review* 99:435-452.

Lindsay, Colin. 2007. "The United Kingdom's 'Work First' Welfare State and Activation Regimes in Europe." Pp. 35-70 in *Reshaping Welfare States and Activation Regimes in Europe*, edited by A. S. Pascual and L. Magnusson. Brussels: P.I.E. Peter Lang.

Lindsay, Colin and Mikkel Mailand. 2004. "Different Routes, Common Directions? Activation Policies for Young People in Denmark and the UK." *International Journal of Social Welfare* 13:195-207.

Lovén, Karolin. 2009a. "Swedish Government Unveils Measures to Fight Unemployment." *EIROnline*.

Lovén, Karoline. 2009b. *Tackling the Recession: Sweden* Eironline, SE0907029Q, July 14.

Möller, Joachim. 2010. "The German Labor Market Response in the World Recession - De-mystifying a Miracle." *Zeitschrift für Arbeitsmarktforschung* 42:325-336.

Öchsner, Thomas. 2010. "Kurs halten in der Krise." *Süddeutsche Zeitung, February 19*.

OECD. 2009a. *Adressing the Labour Market Challenges of the Economic Downturn: A Summary of Country Responses to the OECD-EC Questionnaire*. Paris: OECD.

—. 2009b. *Employment Outlook*. Paris: OECD.

—. 2009c. *Tackling the Jobs Crisis. The Labour Market and Social Policy Response. Background Document to the OECD Labour and Employment Ministerial Meeting, September 29, 2009*. Paris: Organization for Economic Cooperation and Development.

Quinn, Ruairi. 2006. *Straight Left: A Journey in Politics*. Dublin: Hodder Headline Ireland.

Roth, Eva. 2010. "Der Job-Sonderweg." *Frankfurter Rundschau, January 6, page 15*.

Scharpf, Fritz W. 1999. "The Viability of Advanced Welfare States in the International Economy: Vulnerability and Options." *MPIfG Working Paper* 09.

Seager, Ashley. 2008. "Unions ask for Benefit Boost as 5,000 more Job Cuts Announced." *The Guardian (London), Novemberer 12, Page 24*.

Seager, Ashley, Julia Kollewe, and Nicholas Watt. 2008. "Financial Crisis: Unemployment total may be more than 2 Million by Christmas." *The Guardian (London), October 16, Page 4*.

Stratton, Allegra. 2009. "Firms to get £2,500 for each Jobless new Recruit." *The Guardian (London), January 12, Page 1*.

Streeck, Wolfgang. 2001. *High Equality, Low Activity: The Contribution of the Social Welfare System to the Stability of the German Collective Bargaining Regime*. San Domenico di Fiesole, Italy: European University Institute, Robert Schuman Centre.

Tacq, Jacques. 1997. *Multivariate Analysis Techniques in Social Science Research*. London: Sage.

Teddlie, Charles. 2009. *Foundations of Mixed Methods Research Integrating Quantitative and Qualitative Approaches in the Social and Behavioral Sciences*. New York: Sage Publications.

The Local. 2008. "Sweden's Welfare Rolls Continue to Shrink." *published online on September 5 at http://www.thelocal.se/14160/20080905/, last accessed on March 25, 2010.* .

—. 2009a. "Surprise Jump in Unemployment." *published online on March 19, available at http://www.thelocal.se/18306/20090319/, last accessed on March 22, 2010*.

—. 2009b. "Youth Unemployment Doubles in Sweden." *http://www.thelocal.se/21470/20090814/, last accessed on June 17, 2010*.

—. 2010a. "Public Bodies to Accept Thousands of Interns." *http://www.thelocal.se/25232/20100226/, last accessed on March 22, 2010*.

—. 2010b. "Record Student Intake at Swedish Universities." *http://www.thelocal.se/25276/20100301/, last accessed on July 14, 2010*.

Tufte, Edward R. 1978. *Political Control of the Economy*. Princeton: Princeton University Press.

Weishaupt, J. Timo. 2010a. "Germany After a Decade of Social Democrats in Government: The End of the Continental Model?" *German Politics* 19:105-122.

—. 2010b. "A Silent Revolution? Management Ideas and the Reinvention of European Public Employment Services." *Socio-Economic Review* 8:461-486.

—. *forthcoming 2010*. *From the Manpower Revolution to the Activation Paradigm. Explaining Institutional Continuity and Change in an Integrating Europe*. Amsterdam: Amsterdam University Press.

Wilensky, Harold L. 1975. *The Welfare State and Equality. Structural and Ideological Roots of Public Expenditures*. Berkely: University of California Press.

Wolf, Frieder. 2010. "Enlightened Eclecticism or Hazardous Hotchpotch? Mixed Methods and Triangulation Strategies in Comparative Public Policy Research." *Journal of Mixed Methods Research* 4.

8 Appendix

Country	Right-wing parties as percentage of cabinet posts (2008)	Left-wing parties as per-centage of cabinet posts (2008)	Standardised Unemploy-ment(2007)	Increase of youth unem-ployment (age: 15 to 24) in percentage points (2008 to 2007)	Annual Deficit (all levels of government) as percent-age of GDP(2007)	Openness of the economy ((Exports + Imports) / GDP) (2007)
Australia	0	100	4.4	0.96	2.58	39.7
Austria	0	50	4.4	0.93	1.54	97.26
Belgium	41.33	22.45	7.5	0.71	3.39	163.65
Canada	100	0	6	1.05	2.1	73.04
Denmark	100	0	3.8	1.04	4.86	86.44
Finland	50	10	6.8	1.00	4.74	70.8
France	75	0	8.3	0.98	-0.21	51.7
Germany	0	50	8.4	0.88	2.51	71.14
Greece	100	0	8.3	0.90	0.36	50.43
Iceland	50	50	2.3	1.16	4.53	77.22
Ireland	86.67	13.33	4.6	1.15	0.13	150.21
Italy	62.24	29.64	6.1	1.05	2.81	52.47
Japan	87.15	0	3.9	0.91	-1.66	24.35
Luxembourg	0	40	4.2	1.09	2.58	270.78
Netherlands	12.5	37.5	3.2	0.90	1.98	127.03
New Zealand	11.78	88.22	3.6	1.12	2.81	58.98
Norway	0	78.95	2.6	1.12	6.7	71.36
Portugal	0	58.36	8.1	0.97	0.23	69.09
Spain	0	100	8.3	1.34	3.33	55.57
Sweden	68.18	0	6.2	1.05	2.9	83.76
Switzerland	57.14	28.57	3.6	1.00	2.1	85.08
UK	0	100	5.3	1.04	-0.87	53.42
USA	100	0	4.6	1.21	-0.83	25.44

Data sources: All variables except youth unemployment from Comparative Political Data Set I, University of Bern. Data available for download at: http://www.ipw.unibe.ch/content/team/klaus_armingeon/comparative_political_data_sets/index_ger.html, last retrieved on June 1, 2010; data for youth unemployment are from Source OECD, last retrieved on April 20, 2010.