

Université de Montréal

**Youth Employment Incentives:
Activation Policy in Denmark, France and the United
Kingdom (2008-2016)**

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Cette thèse intitulée
**Youth Employment Incentives:
Activation Policy in Denmark, France and the United Kingdom (2008-2016)**

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Résumé

Les jeunes (15 à 29 ans) sont particulièrement vulnérables aux chocs économiques et la capacité à intégrer le marché du travail est une étape importante influençant leur bien-être à long terme. La crise financière de 2007-08 a donc eu des effets importants sur eux. En réponse, les États capitalistes avancés ont adopté une série de politiques pour aider les jeunes. Pourtant, malgré ces nouvelles politiques, les dépenses publiques pour le marché du travail n'ont pas augmenté de manière stable lors de la période. Les analyses récentes semblent confirmer qu'au lieu d'investir dans les programmes plus dispendieux, les États adoptent des politiques axées sur une rhétorique de droits et de responsabilités. En effet, selon certains chercheurs, les États ont adopté des politiques qui créent des incitatifs pour joindre le marché du travail au lieu d'investir dans le capital humain. La recherche actuelle appuie l'argumentaire que les États-providence convergent autour de politiques de faible coût. Nonobstant les pressions pour le changement, les États ont différents besoins. Ainsi, il reste improbable qu'ils adoptent les mêmes solutions. Aucune analyse récente n'a étudié les politiques d'emploi des jeunes adoptées depuis la crise financière. Cette thèse pose alors la question, comment est-ce que les États-providence ont modifié leurs politiques de transition depuis la crise financière? La thèse répond à cette question à partir de trois cadres analytiques du changement politique. Ces cadres sont appliqués à trois études de cas : le Danemark, la France et le Royaume-Uni.

Afin de pleinement considérer ces politiques dans toute leur complexité, cette thèse se sert d'une typologie des incitatifs d'activation pour comparer des mélanges d'instruments entre gouvernements. Une fois les mélanges d'incitatifs déterminés, une analyse de *process-tracing* détermine comment les États ont modifié leurs politiques de transition depuis la crise financière. Ces recherches nous permettent de constater que ces trois pays ont adopté de nouvelles politiques pour l'emploi des jeunes depuis la crise financière. Dans chaque étude de cas, les États ont adopté des politiques qui perpétuent la logique d'action dominante. Or, chaque étude de cas a aussi adopté des politiques qui dévient de la logique d'action dominante. Ces changements sont expliqués à l'aide de trois cadres théoriques, l'apprentissage, les ressources et l'institutionnalisme historique. Cette recherche contribue à la littérature de l'État-providence en outrepassant la littérature existante et donnant un rapport détaillé des politiques d'activation pour les jeunes et de leur adoption depuis la crise financière.

Mots clefs : État providence comparé; jeunesse; activation; politiques de transition; politiques du marché du travail; changement institutionnel.

Abstract

Youth (15 to 29-year-olds) are vulnerable to economic shocks, and the ability to enter the labour market has significant effects on their long-term wellbeing. Consequently, the 2007-08 financial crisis had the potential to affect youth gravely, which is why welfare states adopted a series of policy initiatives to help youth in the post-crisis. Although countries adopted policies, traditional data such as labour market policy expenditures do not reveal increased spending consistent with higher unemployment levels. Research also shows welfare states have favoured policies that reinforce incentives to join the labour market and help individuals market their skills over more expensive policies that invest in human capital since the financial crisis. These analyses support the argument welfare states are converging around low-cost policies. These pressures notwithstanding, the adoption of similar policies is unusual because the needs between countries remain diverse. For that reason, and despite the factors inhibiting change, countries should not be adopting the same policies to respond to high youth unemployment. This dissertation investigates this complex policy environment by using a typology of activation incentives to compare policy instrument mixes between governments. Process-tracing is then used to determine how welfare states modified their youth employment policies since the financial crisis.

First, qualitative data is used to identify the different policy mixes adopted in each case. Second, the policymaking process is analyzed using process-tracing methods. Research findings indicate all three cases, Denmark, France, and the United Kingdom, adopted new youth policies after the financial crisis. In addition to funding policies that continue typical logics found in each country, evidence shows each case adopted policies that deviate from established logics. These results are explained using three theoretical frameworks to identify mechanisms for change: policy learning, power resources and historical institutionalism. For each case, the dissertation outlines how these factors interacted to affect the policymaking process. This research contributes to welfare state literature by going beyond existing quantitative analysis to provide an in-depth account of youth activation policies and the policymaking process in the post-crisis.

Keywords: comparative welfare state; youth; activation; transition policy; labour market policy; institutional change.

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List of Abbreviations

ACEVO - Association of Chief Executives of Voluntary Organisations
AE - The Economic Council of the Labour Movement (*Arbejderbevægelsens Erhvervsråd*)
AGE - Apprenticeship Grants for Employers
ALMP - Active labour market policies
ANI - *Accord national interprofessionnel*
ARPE - *Aide à la recherche du premier emploi*
BCC - British Chambers of Commerce
BIS - Department of Business, Innovation and Skills
BM - Danish Ministry of Employment (*Beskæftigelsesministeriet*)
CBI - Confederation of British Industry
CFDT - *Confédération française démocratique du travail*
CGT - *Confédération générale du travail*
CME - Coordinated market economy
CPE - *Contrats de première emploi*
CSJ - Centre for Social Justice
CUI-CIE - *Contrats initiative emploi*
DA - Danish Employers' Confederation (*Dansk Arbejdsgiverforening*)
DF - Danish People's party (*Dansk Folkparti*)
DfE - Department of Education
DI - Confederation of Danish Industry
DWP - Department of Work and Pensions
E2C - *Écoles de la deuxième chance*
E2E - Entry to Employment
EL - Unity List (*Enhedslisten De Rød-Grønne*)
EU - European Union
ERSA - Employment Related Services Association
FAGE - *Fédération des Associations Générales Etudiantes*
FISO - *Fonds d'investissement social*
FO - *CGT-Force Ouvrière*
FPSPP - *Fonds Paritaire de Sécurisation des Parcours professionnels*
FN - *Front national*
FND - Flexible New Deal
FTF - Confederation of Professionals in Denmark
GDP - Gross domestic product
ILM - Intermediate Labour Markets
JSA - Jobseeker's Allowance
KF - Conservative People's party (*Konservative Folkeparti*)
KL - Danish municipality interest organization (*Kommunernes Landsforening*)
LME - Liberal market economy

LMP - Labour market policies
LO - Danish Confederation of Trade Unions (*Landsorganisationen i Danmark*)
MEDEF - *Mouvement des entreprises de France*
ND25+ - New Deal 25+
NDYP - New Deal for Young People
NEET - Not in education, employment or training
NVQ - National Vocation Qualification
OECD - Organization for Economic Co-operation and Development
PES - Public Employment Services
PLMP - Passive labour market policies
PS - *Parti socialiste*
PUEJ - *Plan d'urgence pour l'emploi de jeunes*
R - *Les républicains*
RV - Social Liberal party (*Radikale Venstre*)
S - Social Democratic party (*Socialdemokraterne*)
SA - Social assistance
SF - Socialist People's party (*Socialistisk Folkeparti*)
SGP - Stability and Growth Pact
SME - Small and medium sized enterprises
STAR - Danish Agency for Labour Market and Recruitment (*Styrelsen for Arbejdsmarked og Rekruttering*)
TUC - Trades Union Congress
UB - Unemployment benefits
UI - Unemployment Insurance
UMP - *Union pour une mouvement populaire*
UPM - Danish Ministry of Higher Education and Science (*Uddannelses - og Forskningsministeriet*)
UNEF - *Union Nationale des Étudiants de France*
UVM - Danish Ministry of Education (*Undervisningsministeriet*)
V - Liberal party (*Venstre*)
VofC - Varieties of Capitalism
YOP - Youth Opportunities Programme
YTS - Youth Training Scheme
YWS - Young Workers Scheme

To Olivier

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Introduction

This dissertation explores how modern welfare states have attempted to address the issue of youth unemployment. Youth employment is a salient issue across capitalist welfare states. One reason for this is because labour market changes have created numerous obstacles to stable employment. The knowledge-based economy creates demand for high skilled workers, making training a priority. Stratified and segmented labour markets are another disadvantage because they can create worker divisions. For instance, once integrated into the workforce, atypical work and fixed-term contracts have become more common. These conditions are significant for youth because difficulty integrating the labour market may lead to scarring effects (Schmillen and Umkehrer, 2017; Bell and Blanchflower, 2011, 260). For these reasons, the ability to enter the labour market is crucial to one's long-term well-being.

This series of observations must be contextualized within the broader welfare state. Structural labour market transformations since the 1970s have led to pressing new social risks within capitalist welfare states that disproportionately affect youth and young adults. Pressure for policy change notwithstanding, political institutions, maturing social programs, slow economic growth, and fiscal austerity all constrain welfare state adjustment. Advanced capitalist nations consequently face institutional friction and policy mismatch. They must modernize to remain effective and to respond to new needs. Nevertheless, policy change is difficult in the current socioeconomic context. Accordingly, welfare state adaptation can be understood as a tightrope act: a balance between allocating scarce resources at a time of fragmented social risks.

A common policy response to the changing welfare state has been to adopt a rights and responsibilities approach to social and labour market policy. Scholars argue there has been a convergence towards mutual obligation policies that aim to increase labour market participation because work is understood to be “the best form of welfare” (Weishaupt, 2011, 246). An example of these policies is activation. Activation is a broad term used to describe policies that create an explicit link between social protection and work life. Youth have long been targets of these policies with the objective “[...] to integrate unemployed youth into the labor market, stabilize their career entry, and/or to promote the take-up of vocational training as an intermediate step to labor market entry” (Caliendo and Schmidl, 2016, 6).

Comparative welfare state literature has analyzed activation policies in great depth (Jenson and Saint-Martin, 2003; Barbier, 2002; Bonoli, 2013). Although some youth transition researchers include activation in their analyses (Pohl and Walther, 2007), less focus has been given to how welfare states activate youth. Given the importance of activation in the modern welfare state, this dissertation focuses on youth activation policies and how welfare states have adopted these policies in the wake of the 2007-08 financial crisis and Great Recession.

According to the Organization for Economic Co-operation and Development (OECD), the financial crisis “hit youth harder than any other group” (2013a, 6). In the European Union (EU), youth unemployment rose by 8.12 percentage points between 2008 and 2013 (OECD, 2017). This effect on youth can be explained by a lack of experience, inefficient job search activities, and low specific human capital and productivity, which render this segment of the population particularly vulnerable to unemployment during economic shocks.¹ In this way, the financial crisis and the Great Recession acted as a common trigger among advanced capitalist welfare states by exacerbating youth unemployment.

In response, there has been an increase in the number of youth activation policies passed since the financial crisis. By tabulating the number of policies adopted in EU countries, as visible in Figure 1, it appears there has been a net increase in the overall number of policies adopted in these countries.² Between 2000 and 2007, 36 policies were adopted. Whereas 125 were adopted between 2008 and 2014 (2017).³ That is to say, there was a 247% increase from the previous period. Although this is a crude indicator, it provides evidence of policy actions that merit further investigation.

While new youth activation policies were created, evidence from existing research does not show welfare states necessarily increased spending for this subgroup. Research on flexicurity demonstrates European countries initially improved income security for youth during the crisis by “relaxing qualifying criteria; offering lump-sum or one-off payments; and increasing benefit amounts or duration of benefits” (Leschke and Finn, 2016, 23). Whereas adults maintained coverage levels, youth coverage was reduced in the second phase of the crisis (Leschke and Finn, 2016, 24). These findings indicate these were short-term changes. More general indicators also show that expenditures did not rise consistently

¹ There are many hypotheses for why youth unemployment rates are higher than adult ones. For a more detailed explanation, see Bell and Blanchflower, 2010, 242-245.

² The LABREF databases’ “Special schemes for youth” category.

³ The period chosen reflects data availability. The LABREF database begins in 2000. By dividing the period equally between 2000 and 2014, it provides a snapshot of before and after the financial crisis. Other research shows the increase in youth-related reforms began in 2012 (European Commission, 2016, 23).

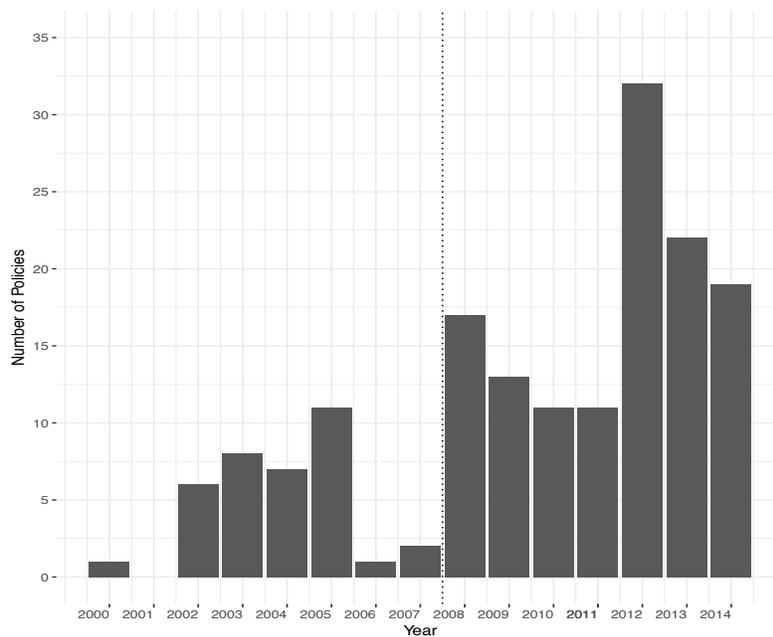


Figure 1: Special Schemes for Youth, EU-28 2000-2014

with unemployment.⁴ For instance, labour market policy (LMP) expenditure – that is, spending for the unemployed or individuals disadvantaged in the labour market – initially rose in tandem with the unemployment rate during the first year of the financial crisis, but it subsequently stagnated and ultimately decreased (Ronkowski, 2013).

One reason for these findings may be because, in addition to increasing unemployment through decreased job demand, the financial crisis and recession imposed new fiscal restraints on already constrained welfare states.⁵ Recent analyses seemingly confirm financial constraints have reduced the menu of available policy options and countries are increasingly adopting policies that align with a rights and responsibilities rhetoric to social protection rather than investing in more costly policies. For example, comparative research since the financial crisis demonstrates similar spending patterns across welfare states (Bengtsson et al., 2017, 384). This trend also exists in states traditionally found to have high human capital investment. These findings have led researchers to argue welfare states have favoured policies that reinforce incentives to join the labour market and help individuals market their skills over more costly policies that invest in human capital since the financial crisis (Bengtsson et al., 2017).

⁴ General indicators are used in this section because there are no youth-specific activation expenditure indicators.

⁵ Without analyzing these causes, Ronkowski hypothesizes that the time needed to approve LMP support measures and fiscal constraints imposed by the sovereign debt crisis may also explain these spending trends (2013).

Research, therefore, shows that states with traditionally different policy trajectories have been prioritizing similar policy mixes and strategies since the financial crisis. Although recent analyses point to convergence, needs between and within states remain diverse. Nations have differing youth unemployment rates, educational systems, and social needs. Studies also traditionally show nations use their restricted resources in different ways, creating different policy trajectories that range from clear neoliberalism to social investment (Torfing, 1999; Barbier, 2002; Bonoli, 2013). For these reasons, activation policies should differ between nations, not converge.

To summarize, the rise in youth unemployment has prompted countries to adopt youth activation policies. However, the evidence does not necessarily show a concomitant increase in spending. In fact, general activation research points to a convergence towards low-cost policies. This is unexpected given that needs between countries continue to vary. Research has not yet explicitly compared how nations have addressed the issue of youth employment since the financial crisis and the Great Recession. To understand how welfare states are balancing on the tightrope to allocate scarce resources to address youth unemployment, I pose the question: how have welfare states modified their youth transition policies since the financial crisis?

To answer the question, I conceptualize policy change using ideas, interests and institutions – the building blocks of political science – as independent variables. More specifically, the dissertation uses three analytical frameworks, policy learning, power resources and historical institutionalism, to analyze policy change in three cases, Denmark, France and the United Kingdom. The frameworks are used to identify relevant variables and to form hypotheses. This allows me to form expectations of how welfare states should have modified their youth transition policies in the wake of the financial crisis. I then compare the empirical reality with expectations from each theory.

Each case study is divided into two steps to compare these elements. First, for each sub-period, I determine policy instrument mixes using qualitative data. As others (Clasen et al., 2016), I argue it is necessary to go beyond existing quantitative indicators and to use qualitative analysis to compare cases. I also adopt a qualitative approach because researchers have indicated the importance of including multiple indicators to understand welfare state change (Pierson, 2001, 422; Clasen and Clegg, 2007, 167; Bonoli and Natali, 2012, 292-284). To determine the policy mixes in each sub-period, I use a typology that distinguishes between activation incentives and was created for this dissertation. Activation incentives are translated into policy change by analyzing if the policy instruments

used in a case represent a change in the logic of action or not. In a second step, I use the three analytical frameworks to analyze the policymaking process on relevant policies using process-tracing methods. This empirical analysis extends our understanding of both activation and youth transition policies and provides insights into how governments are encouraging youth to enter and remain in the labour market. In so doing, it contributes to social policy research by analyzing youth activation policies using comparative welfare state literature.

Findings indicate all three countries adopted new youth policies since the financial crisis. In addition to funding policies that continue typical logics of action found in each country, each case adopted policies that deviate from the traditional logic of action. Precisely, each case adopted unexpected policy instruments. Denmark, a social democratic welfare state, adopted negative supply-side financial incentives leading to retrenchment. France, a welfare state that traditionally provides familial youth policies, created alternative pathways to social protection. Finally, contrary to expectations for a liberal welfare state regime, the UK adopted positive demand-side financial incentives to create employment subsidies.

Additionally, this research demonstrates the value of using multiple analytical frameworks to comprehend policymaking. Institutional factors were significant in all cases. This created the foundation upon which actors and ideational elements manifested themselves. As the dissertation explains, governments adopted complex incentive mixes that should be understood according to partisan preferences. Evidence, nonetheless, shows that partisan affiliation and power resources do not have the hypothesized effects on youth activation incentives. Instead, within-case findings indicate instrument continuity between governments. In this way, youth activation differs from general activation. Finally, case study evidence provides examples of elements of policy learning. International actors were not crucial to the youth activation policymaking process as expected. National actors did, however, play an important role in disseminating ideas and echoed ideas found in the international community. This affected policy content.

The dissertation can be broadly separated into two sections. First, Chapters 1, 2, 3, 4, and 5 introduce the main research notions. Second, Chapters 6, 7, 8 and 9 present the empirical research and findings.

Chapter 1 defines youth and outlines their vulnerabilities when joining the labour market. This chapter also explains new social policy and welfare state change. Finally, it unpacks the notion of activation and relates it to youth transition policy.

Chapter 2 defines policy change and presents the three frameworks used to analyze the policymaking process. In this chapter, I also formulate hypotheses and explanations of how each theory predicts welfare states to have modified their youth policies.

Chapter 3 outlines the research methodology and data. In this chapter, I explain my case choice from a sample population of advanced capitalist welfare states that are members of both the OECD and EU. I also explain my research method, process-tracing, as well as the data collection process.

Chapter 4 provides a broad comparison of 11 cases. This exercise allows for an initial understanding of youth transition policies. It also highlights the need to conceptualize activation policies differently and to go beyond country classifications and investigate the policies themselves using policy instruments. This argument leads to Chapter 5 in which I outline a typology created to analyze activation incentives.

Chapters 6, 7, and 8 are case studies of Denmark, France and the United Kingdom respectively. These case studies represent the substantive research portion of the dissertation. Each case chapter provides accounts of policy change within each country by testing hypotheses derived from policy learning, power resources and partisan preferences, and historical institutionalism. In Chapter 9, I discuss the empirical and theoretical findings.

The dissertation aims to contribute to activation literature by going beyond existing quantitative analysis to provide an in-depth account of policy change in the post-crisis. It also contributes to youth policy literature by using comparative welfare state literature to analyze youth activation policies. This exercise leads to a better understanding of youth activation in all three cases. These cases can also be generalized to similar welfare-state regimes. Finally, this research demonstrates how comprehensive theoretical frameworks can be used to advance our understanding of social policy change.

Chapter 1 | Literature Review

The central puzzle of the dissertation is to comprehend how welfare states reacted to youth unemployment resulting from the 2007-08 financial crisis. I specifically focus on youth activation policies. This chapter introduces youth as a concept and relates it to welfare state literature. This is necessary because deindustrialization and the knowledge-based economy have created important challenges affecting advanced capitalist welfare states. Labour market and social protection experts explain an additional pressure: structural changes have produced new vulnerable groups with various social needs. Youth are prevalent among these vulnerable groups. Despite the need for reform, welfare state modernization is difficult to achieve. Under these circumstances, the activation paradigm has been used to redefine rights and responsibilities and to enforce them through incentive-based policies.

This chapter outlines how these changes relate to youth employment policy in the post-crisis. I begin by 1) defining youth as the transitional period towards economic independence. In this section, I also explain why youth is a relevant subset of the population to analyze. 2) I provide an outline of the main conceptual frameworks for understanding new social policy. This section explains how these frameworks relate to policy dynamics. It also clarifies why, despite numerous insightful policy recommendations and pressure for action, labour market and social policy adaptations are difficult to implement due to multiple constraints on welfare states. Finally, I 3) single out relevant changes for youth policy. These changes include activation and employability, individualism, and incentives through mutual obligations rhetoric.

1.1 Why Youth?

Youth represents an important, but vulnerable, segment of the population. The financial crisis and the Great Recession made youth a salient issue for policymakers by exacerbating youth unemployment (Beramendi et al., 2015; Van Kersbergen and Vis, 2013, 187-188). This salience presents a compelling case for understanding welfare state modernization in the era of permanent austerity. That being said, youth is a heterogeneous group which can make it difficult to define. Moreover, the meaning of the term “youth” changes according to the context in which it is presented.

This section 1) defines youth as a transitional phase according to the life-course perspec-

tive. Also, it explains how this relates to economic citizenship and identifies the relevant age brackets used in public policies and statistics.¹ The section 2) outlines factors that have altered and extended this transitional phase and made youth more vulnerable.

1.1.1. Youth, the life-course perspective and citizenship

In public policy and statistics, youth are often singled out as the age cohort between 15 and 24-years-of-age and young adults are defined as the cohort between 25 and 29 (sometimes even 34) years-of-age. While these categories may seem crisp, they can also be problematic for comparison because age brackets may differ from one state, or even one policy, to another. To better situate “youth” within these age categories, this notion is defined according to the life-course perspective and the acquisition of citizenship (Jones and Wallace, 1992, 21).

Sociologists, psychologists and historians have used the life-course perspective as a theoretical orientation since the 20th century (Elder et al., 2003). It is applied here to understand what phase youth represents over the life-course. According to Kohli,

The model of institutionalization of the life course refers to the evolutions, during the last two centuries, of an institutional program regulating one’s movement through life both regarding a sequence of positions and concerning a set of biographical orientations by which to organize one’s experience and plans

(2007, 255). This perspective explains life according to a normative chronological arc, meaning the rules by which people should live their lives. In this arc, people are not perceived in the context of status, locality or family. Instead, new institutions and structures have been created and researchers explain the life-course has become individualized, leading to a diversification of trajectories (Pohl and Walther, 2007). This individualization has the effect of liberating people from past prescriptions of the “bonds of family, tradition and social collectives” (Howard, 2007, 2). The individualized life-course is structured around the notion of labour and access to wages. In so doing, the perspective creates a “tripartition” of the chronological order of life as “preparation, ‘activity’, and retirement” – often associated with childhood, adulthood and senior citizenship (Kohli, 2007, 255). Youth is conspicuously absent here. The perspective also assumes that the multiple social and economic transitions from school-to-work are fluid. They are not.

Youth is a period including multiple transitions, such as “leaving the parental home to study or work, being materially independent, moving in with a partner or getting married,

¹ Nevertheless, I recognize that, due to national variation in public policies, statistics may use different age brackets.

and the choice of whether or not to have children” (Eurostat, 2015). Although research has shown these transitions vary according to institutional traits (Walther, 2006; Van de Velde, 2008; Chevalier, 2015a), two transitions are crucial for this dissertation: the school-to-work transition and the transition to stable employment (meaning from unemployment or precarious employment to employment). They are significant because both of these transitions are critical to attaining economic independence.

As other researchers (Jones and Wallace, 1992, 18, 21; Chevalier, 2015b, 3), I use the transition to economic independence – from preparation to activity – to identify when the period of “youth” has ended. This marker is used because issues youth and young adults face in post-industrial society can be listed under the broad heading of access to, or lack thereof, economic independence. Economic independence is defined as an individual obtaining income through the market (wages obtained via labour market participation) or the state (access to social aid), and *not* through the family (Chevalier, 2015b, 3).² I use this distinction as a means of identifying target populations. Accordingly, this research analyzes policies that principally concern individuals not yet financially independent and in the transition towards economic independence.

This distinction means that, although public policies may target different age brackets and countries may focus on specific segments of the youth population, this research concentrates broadly on policies with the goal of increasing economic independence. For example, youth policies in Denmark often contain an age boundary of 29 and under, whereas the United Kingdom regularly targets 18 to 24-year-olds. Policies may also target youth according to their educational attainment or activity status, such as youth not in education, employment or training (NEET). Although I specify these discrepancies in my analyses, I do not allow these differences to limit my research. The focus of this research is to compare policies that facilitate youth transitions into the labour market. To do so, I analyze the rights youth have (their access to social citizenship) as well as policies to facilitate the transitional period to economic independence. I operationalize this by creating a typology that distinguishes between policy incentives to join and remain in the labour market. This allows for differentiation between policy instrument mixes. Examples of relevant policies include transition policies and youth guarantees.

Transitional labour markets is a concept that “encourages policy-makers to address labour

² Although governments may classify individuals on social assistance, or unemployment insurance as “youth”, their definition of youth is usually related to age. The goal here is to understand how individuals move from a state of familial dependence to economic independence, be it through the market or the state. Moreover, it is important to note that not all states necessarily provide government programs to facilitate this transition.

market transitions through institutional regulations and policies that safeguard and motivate both employers and employees” (Brzinsky-Fay, 2010, 2). As explained above, youth are particularly vulnerable during the transition from education to employment, otherwise known as the school-to-work transition. They are also at-risk to prolonged financial uncertainty during the transition to stable employment, meaning from unemployment to employment. Transition policies vary from country to country. Nonetheless, they all “tend to reduce social integration to labour market integration and youth transitions to school-to-work transitions, and address primarily ‘disadvantaged youth’” (2007, 536).

Youth guarantees have become another popular policy solution since the Great Recession. First adopted in Sweden in 1984, with other Scandinavian nations quickly following suit,³ youth guarantees create entitlements to employment and the provision of services for employment for youth who meet established criteria (Escudero and Mourelo, 2015). These policies are quite diverse; however, they generally target the low-skilled unemployed and are innovative because they imply a burden on the state to provide access to employment or training. They also formulate expectations for youth participation, meaning obligations as well as rights.

Both of these are examples of policies that contain activation incentives. Before explaining how these policies fit into the broader dynamics of the welfare state, the following section outlines risks youth face in the 21st century. This is done to comprehend the types of issues governments are likely trying to resolve.

1.1.2. Youth, a vulnerable transitional period

Over time, structural and cyclical factors have affected the transitional period from youth to the economic independence of adulthood. This has been referred to as “the de-standardization of youth transitions” (Pohl and Walther, 2007, 535). First, this transition is no longer assumed to be sequential as youth and young adults are considered to represent disadvantaged groups within the broader category of new social risks. Second, youth face the common obstacle of transitioning to paid employment, known as the school-to-work transition. Increasing education and difficulties accessing employment are factors that have contributed to lengthening this phase (OECD, 1996b, 110). Third, cyclical effects from the financial crisis, including cuts in labour demand, have compounded these tendencies, making the transition to stable employment more difficult.

The first factor affecting youth is new social risks in the welfare state. Decreases in stable employment opportunities affect all segments of the population. However, specific cate-

³ Norway passed a youth guarantee in 1993 and Denmark, and Finland followed suit in 1996 (ILO, 2013).

gories are known to be more vulnerable than others. Experts have identified youth and young adults as belonging to these at-risk groups (Caliendo and Schmidl, 2016). They are particularly susceptible to job instability and atypical work, education and skills mismatching in the knowledge-based economy, as well as having difficulty balancing work and family life (Taylor-Gooby, 2004; O'Reilly et al., 2015). As a result, the passage to adulthood is not necessarily irreversible, and youth may experience “yo-yo” transitions.

Second, youth, especially the low-skilled, face the common obstacle of transitioning to paid employment. Scholars have demonstrated the school-to-work transition has become longer and more complex over time (Jones and Wallace, 1992, Chapter 2; Furlong and Cartmel, 2006; Eichhorst and Rinne, 2015, 3-4). Research demonstrates that youth face two broad conflicts during the school-to-work transition. They are affected by labour market changes that create atypical work situations and are not necessarily covered by existing social policies (OECD, 2013b, 4). Another serious hurdle to employment is skills mismatching.

Historically, youth have a higher unemployment rate than the general population. On average, they are “[...] twice as likely to experience unemployment compared to the adult population” (Knijn and Smith, 2012, 39). Atypical work and fixed-term contracts have also become more common, leading to further labour market disadvantages. Research shows that difficulty integrating the labour market may lead to long-term scarring effects (Schmillen and Umkehrer, 2017; Bell and Blanchflower, 2011, 15). Consequently, states face the common challenge of integrating youth into the workforce and ensuring they have stable and secure employment.

Nevertheless, there exists considerable diversity between individuals and across countries and regions. For example, whereas most youth face the issue of integrating the labour market, others, known as “youth left behind”, also face the additional problem of a lack of skills and the social background necessary to get ahead (O'Reilly et al., 2015, 2). In 2009, the average duration of the school-to-work transition in the EU for all education categories was 6.5 months (Eurostat, 2012). Finding stable employment can take even longer. For instance, in France the average age individuals gain their first steady job is 27 (Cour des comptes, 2016, 9). The ability to find stable employment also affects living situations. On average, 48% of 18 to 29 year-olds in the EU were living with their parents in 2011 – that’s up 4% from the previous survey in 2007 (Eurofound, 2014b, 6).⁴

⁴ Proportions vary by country. For instance, in Finland the percentage of 18 to 29 year-olds living with their parents was near 15% in 2011, whereas in Slovenia and Malta it was above 80% (Eurofound, 2014b, 8).

Third, youth are particularly vulnerable to cyclical economic effects. The Great Recession exacerbated youth unemployment and brought new urgency to youth issues (Bell and Blanchflower, 2011, 4-5; OECD, 2013b, 4). According to an analysis by economists Bell and Blanchflower, youth were more severely affected by the financial crisis and the subsequent decrease in labour demand than the adult population (2011, 6-10). These scholars also explain that youth are more sensitive to cyclical trends than adults. For every 1% of adult unemployment, youth unemployment changes by approximately 1.79% (Bell and Blanchflower, 2011, 11). The most recent data shows that youth unemployment remains above pre-crisis levels (OECD, 2015a, 27).⁵

Youth are, therefore, a heterogeneous group that face structural and cyclical obstacles in the transition to economic independence. The following section expands beyond youth to explain welfare trends more generally to contextualize youth policies within welfare state change.

1.2 Welfare State Modernization Theories

The welfare state is a vast subject that can be understood differently according to the phases of its evolution. Research can be divided into two stages. The first stage relates to the origins of the welfare state and its expansion in the post-war era. The second stage concerns the welfare state since the 1970s. These phases can be distinguished by the monikers *old* and *new* social policy (Häusermann, 2012, 111-112). The former is social policy adapted to industrial society, whereas the latter is social policy for the new risks associated with post-industrial society. The following research agenda is centred on the dynamics of welfare state modernization.

Since the 1970s, advanced capitalist nations have been under various pressures. These include deindustrialization, globalization, demographic change (population ageing and the inclusion of women in the workforce), and ballooning costs due to the maturation of social programs (Van Kersbergen and Vis, 2013; Beramendi et al., 2015). These pressures have led new welfare state literature to focus on the extent and the direction of change, its causes, and relevant intervening factors. There are three main conceptual frameworks for welfare state modernization. Each of which emphasizes interests, institutions, or ideas. In this section, these three frameworks and how they relate to welfare state theory are outlined. A more in-depth explanation of how these theories respond to the research question are provided in Chapter 2.

⁵ This being said, it is important to note that, despite this exogenous shock, youth unemployment rates still show important variation between nations

First, scholars sought to understand the differences between welfare states through power resource theory. This theory highlights the importance of interests and agency in the form of material interests and partisan preferences on policy outcomes. To do so, it explains the effects of the balance of power between labour and capital on the welfare state through universal suffrage, partisan politics and cross-class alliances for coalition building (Korpi, 1983). Thus, programmatic expansion and retrenchment are dependent on the relative power of labour and capital. In the case of youth transition policies, power resources predicts continued welfare state variation. This expectation is because the financial crisis did not fundamentally alter the balance of power between labour and capital.

Partisan affiliation can also have significant effects on policymaking. More recent literature demonstrates that partisan preferences have evolved to include value-based preferences as well as material interests (Häusermann, 2010, 9). Owing to the fact these preferences may lead to high levels of conflict, multidimensional policy spaces have been found to create reform opportunities through coalition engineering (Häusermann, 2010, 201). The government-in-power could, therefore, affect policy preferences in the post-crisis and create opportunities for policy change.

Second, comparative welfare state theorists applied new institutionalist literature, especially historical institutionalism, to comprehend how and why welfare states have been so resilient to change. New institutionalism demonstrates the importance of state institutions and policies as independent variables. For instance, power centralization, the number of constitutional veto points, and electoral rules have all been found to have significant effects on social policy outcomes (Myles and Quadagno, 2002, 38-39). Policies have also been found to have feedback effects, and historical institutionalism predicts policies follow path dependent trajectories (Pierson, 1993, 626). For these reasons, students of new institutionalism explain the importance of lock-in effects. These act as a structuring variable by building constituencies and enabling policy reform based on policy visibility, credit claiming, and blame avoidance (Pierson, 1993; Bonoli, 2012). Consequently, this literature predicts reform to be incremental and path dependent. These predictions are explained by the fact, although states face common problems, the way these problems are understood and resolved varies according to the structural logic prevalent in each state (Palier and Bonoli, 1999, 405).

Although new institutionalism tends to emphasize structure and explains change as an incremental process, researchers have also conceptualized other types of change. Contrary to the passive connotation of path dependence, strategic actions have been found to cre-

ate change that, while keeping within the bounds of policy legacies, is more actor-centric and less incremental (Palier and Bonoli, 1999, 412). New institutionalist theory also explains that change may occur at critical junctures. When critical junctures (brought on by exogenous shocks) occur, agent-centred accounts may offer better explanations than structural accounts (Bennett and Elman, 2006, 646). The financial crisis, which brought on a prolonged economic recession, qualifies as an exogenous shock (Palier and Bonoli, 1999, 405).

Third, researchers have focused on how policy actors make decisions by conceptualizing and measuring the role of ideas. In contrast with power resource and institutionalist accounts of the welfare state, which emphasize material and interest-based preferences, scholars who subscribe to an ideational view often speak of policy paradigms (Hemerijck, 2012, 98). Ideas, therefore, form a crucial way of understanding welfare state policies and one can explain the evolution of the welfare state by observing dominant social policy paradigms. By paradigms I mean

“[...] ideas about the goals of policy; the identification of issues as problematic in relation to these goals; explanation of why problems arise; solutions to identified problems; explanations of why they will meet the problem; and definitions of the appropriate role for government and other actors”

(Taylor-Gooby, 2004, 11).

In the post-war era during the expansion of the welfare state, the dominant paradigm was that of Keynesian macroeconomics. In the 1970s and 80s, there was a shift toward neoliberalism. Today, authors argue different social policy paradigms exist. The development and transmission of these paradigms can be understood through diffusion theory.

Diffusion theory is defined as policy innovation based on choices made by other governments and can be used to explain vertical and horizontal policy innovation (Weyland, 2006, 17; Graham et al., 2013, 675). The process of interdependent policy adoption may occur through learning, competition, coercion, or social norms (Graham et al., 2013, 690-694). In cases of policy learning, theorists predict that dissatisfaction with the policy status quo should lead to the adoption of a new, consciously evaluated policy.

With regards to social policy diffusion, authors have found evidence of ideational convergence towards what can be broadly named the “activation paradigm” (Van Berkel and Møller, 2002; Weishaupt, 2011; Bonoli, 2013). This paradigm links social protection to employment and has been understood through a number of individual trends explained in the

next section. Activation is achieved through a redefinition of individual rights and responsibilities which the government enforces through incentive structures (Weishaupt, 2011, 26). For instance, the sociologist Timo Weishaupt asserts the diffusion of the “manpower paradigm” since the 1960 and 70s eventually led to the convergence around the “active labour market policy paradigm” in the late-1990s and 2000s. He argues international organizations such as the Organization for Economic Co-operation and Development (OECD) and the European Union (EU) impacted national reform agendas towards the activation paradigm through normative and cognitive ideas (Weishaupt, 2011). Nevertheless, the activation paradigm is not cohesive and includes multiple policy ideas including active social policy (Bonoli, 2013), social investment (Jenson, 2010; Hemerijck, 2012), and embedded flexibility (Thelen, 2014).

Before explaining activation in-depth, the following subsection describes how welfare state modernization theories have been used to outline welfare state trajectories.

1.2.1. *Welfare state dynamics*

The welfare state is understood as executing the function of enhancing well-being, and the programs that compose it are based on rationales of protection.⁶ Historically, capitalist welfare states have fulfilled these functional rationales to varying degrees for *old* social policy, which led to the notion of three worlds of welfare capitalism (Esping-Andersen, 1990). Structural changes have subsequently led to a reconfiguration of our understanding of the welfare state. What follows is a brief explanation of welfare state dynamics leading up to the financial crisis.

Academic interest in the welfare state began in earnest in the post-war era. At first, researchers used structural functionalism to understand welfare state convergence (Hemerijck, 2012, 88). While these analyses were well suited for the post-war era’s continued economic growth, they lacked fundamental insights to explain different economic contexts. The economic difficulties of the 1970s led to diverging policy responses and cross-national differences in welfare state spending and coverage. In interpreting these trends, experts have found that welfare states follow different logics according to how power resources manifest themselves and are institutionalized and therefore have varying effects on the population.

Through power resource and new institutionalist literature, comparative welfare state theorists have been able to explain differences in generosity between welfare states as well as the

⁶ This includes ensuring socioeconomic development, promoting political integration, pooling risk, and allowing for redistribution within society (Van Kersbergen and Vis, 2013).

effects historical legacies have on future policy developments (Hemerijck, 2012, 90). These differences are best conceptualized in Esping-Andersen’s 1990 book, *The Three Worlds of Welfare Capitalism*. Esping-Andersen famously explains how welfare state regimes correspond to three ideal types according to decommodification levels,⁷ social stratification, and the dynamic between the state, market, and family. These regimes are identified as liberal, corporatist-conservative, and social democratic and are determined by levels of political mobilization, political coalitions, and institutional historical legacies. Although various reclassifications have been proposed, including a fourth regime type (the Southern European welfare state), these regimes are the foundation upon which much of modern welfare state literature has been built (Van Kersbergen and Vis, 2013; Ferrera, 1996).

In spite of the simplicity of these three regimes and the continuity they imply, welfare states have undergone difficult transitions since the end of the *Trente Glorieuses* in the mid-1970s.⁸ Structural changes have led theorists to investigate the actual degree of continuity and change within and between welfare states. Theorists adopting power resource theory expected wide-scale retrenchment⁹ as a common outcome to the neoliberal politics of the 1980s due to a restructuring of power between labour and capital (Korpi and Palme, 2003). To the contrary, research has shown welfare states to be remarkably resilient. The term “permanent austerity” is used to describe welfare state resilience in the neoliberal era despite immense exogenous and endogenous pressures for retrenchment (Pierson, 1998). Scholars who subscribe to this vision of stability, including Esping-Andersen (1999), adopt new institutionalist theory that highlights the importance of historical legacies, political institutions, and feedback effects (Pierson, 1993, 1998). Hence, welfare state reform is often predicted as an incremental rather than a radical process. Nevertheless, welfare state stability is not necessarily positive due to the fact existing social programs may be ill-adapted to ever-changing socioeconomic circumstances. Regarding youth issues, new social risks affecting youth may not be covered by existing welfare state programs, leaving them with low or inadequate levels of social protection.

Despite the importance of new institutionalist literature, a more nuanced account posits that the prevailing socioeconomic and political conditions notwithstanding, the welfare state is continually adapting (Bonoli and Natali, 2012; Häusermann, 2010; Van Kersbergen and Vis, 2013). These researchers counteract the *status quo* bias often found in new

⁷ Decommodification is a term used to conceptualize the individual’s degree of market dependence for survival.

⁸ A term coined by Jean Fourastié in his 1979 book *Les Trente Glorieuses : Ou la révolution invisible de 1946 à 1975*, the *Trente Glorieuses* is used to describe thirty years of prosperity in growth in the post-war period and has been adopted by many scholars.

⁹ A term used to identify the reduction of social expenses and provisions, retrenchment usually leads to a change in the dynamics between the state, the market, the family, and the community.

institutionalist literature and explain welfare state reform as a multidimensional process. Research has broadened to include other forms of policy change including recalibration,¹⁰ restructuring,¹¹ and policy drift.¹² This multidimensional approach is significant because it projects a dynamic vision of the welfare state. The proposed forms of policy change can incorporate new target populations into new or existing policies or restructure benefits and services to accommodate changing needs. Governments can also consciously decide not to alter the policy, thereby leaving at-risk populations vulnerable.

Policy trajectories are another critical area of welfare state research and modernization theories have been used to identify relevant factors and likely patterns of change. Welfare states may either diverge amongst each other, or converge toward common policies. There can also be a continuation of existing trajectories. Although authors have established likely determining factors for policy change, overall patterns and trajectories of social policy remain a point of contention in comparative welfare state literature. The main argument lies in the importance to confer to individual national characteristics and large-scale trends such as policy ideas, including neoliberalism and social investment. As previously explained, power resource theory and new institutionalism have been aptly criticized for respectively over-and-underestimating welfare state transformation, as well as being unable to account for the sources and dynamics of change (Häusermann, 2010, 14).¹³ Hence, literature on the new welfare state emphatically argues change cannot and should not be reduced to a single dimension (Pierson, 2001; Bonoli and Natali, 2012).

When analyzing policy trajectories, many researchers maintain that cross-national differences between capitalist welfare states remain important. Authors have demonstrated that similar pressures can lead to diverse policy responses as these are refracted through partisan coalitions and political and economic institutions (Hall and Soskice, 2001; Pierson, 2001; Beramendi et al., 2015). According to these theorists, the apparent convergence between diverse welfare states toward low-cost policies in the post-crisis would be unexpected.

To the contrary, other researchers would affirm these similar policy trajectories can be explained by the liberalization paradigm (Schäfer and Streeck, 2013). According to these

¹⁰ Recalibration is a term reserved for the adaptation of existing policy instruments to face new needs (Van Kersbergen and Vis, 2013).

¹¹ Restructuring is a general term for reorganizing social policy benefits and service delivery.

¹² Policy drift is a term used to denote changes in social policies due to deliberate non-decisions to recalibrate them (Hacker, 2004).

¹³ Functionalist theory is another explanation of the welfare state that accounts for the creation and design of policies through their socio-political functions and concentrates on cross-national variation. It has, however, been criticized for over-emphasizing structure (Myles and Quadagno, 2002, 37).

researchers, although welfare states have historically followed diverse policy patterns, they now face common pressures that may lead to policy convergence and institutional hybridization. For instance, Weishaupt explains the “constitutive elements in all of the ‘worlds of welfare capitalism’ have been weakened in recent years” and labour market policy regimes “have undergone a process of hybridisation that was triggered and accelerated by the emergence of the ‘activation paradigm”” (2011, 308). Others such as Aust and Arriba have used discourse analysis to identify social assistance trends between Western European welfare states (2005). They argue social inclusion is the dominant discourse in the OECD and EU, but find uneven reform efforts within countries (Aust and Arriba, 2005, 117).¹⁴ In order to understand these differences, the ultimate argument lies in the degree to which policy trajectories remain distinct and researchers’ abilities to predict long-term trends.

Claims of convergence toward liberalization notwithstanding, this seemingly clear-cut choice obscures multiple policy alternatives. First, liberalization is a broad term that merits nuance. Scholars demonstrate that liberalization may lead to a variety of policy trajectories, such as embedded flexibilization,¹⁵ and not simply convergence (Thelen, 2014). Policies can be ambiguous and researchers have demonstrated both left and right-leaning political parties and coalitions have adopted policies often identified as neoliberal. This includes active labour market policies (Bonoli, 2013). Second, Jenson and Saint-Martin argue the existence of an alternative policy framework for welfare state modernization. They demonstrate that welfare states have adopted a blend of policies since the mid-1990s labelled the social investment perspective (Jenson and Saint-Martin, 2003; Jenson, 2010).

As a result, it may be that in the period leading to the 2008 financial crisis, welfare states maintained their historical legacies while slowly adjusting in a context of ideological and fiscal austerity. These tendencies could mean that, while cross-national differences remain significant, the overarching trend of permanent austerity may have restricted the state’s ability to enact large-scale change which could lead to policy cutbacks. In this environment, states may have increasingly adopted neoliberal policies that correspond to a mutual obligations rhetoric. That being said, welfare state diversity should remain with states opting for a blend of neoliberalism and social investment. The youth policies adopted during this period may, therefore, represent a mix of new and old national policy

¹⁴ This discourse interprets disincentives created by the welfare state as the main issue confronting nations and labour market integration via activation and reinforced rights and responsibilities as the solution.

¹⁵ A term used to explain liberalizing reforms while maintaining institutions and policies to protect vulnerable segments of the population and to prepare them for the job-market (Thelen, 2014, 31).

logics.

In this context, the financial crisis and the Great Recession represents a common trigger for welfare states by reducing the demand for employment and creating new fiscal constraints. To better comprehend the relationship between youth unemployment and welfare state trends, the following section defines activation and contextualizes terms associated with the activation paradigm.

1.3 The Activation Paradigm

This section explains how the activation paradigm relates to fundamental shifts in social and employment policy in the 1990s and early 2000s. Over time, comparative political scientists have emphasized different dimensions to understand new social policy better. In so doing, they have created a multitude of terms including employability, individualization, neoliberalism, mutual obligations, incentives, social investment and active labour market policies (ALMP). As others have noted, these notions have many elements in common while also managing to highlight aspects particular authors find salient (Bonoli, 2013, 11).

The section disentangles this abundance of concepts to explain the relevance of activation for understanding transition policies for youth in advanced capitalist nations. It begins by 1) defining activation. It 2) describes transformations within advanced capitalist welfare states. Finally, it 3) explains the relevance of activation for comprehending youth transition policy instruments.

1.3.1. Social inclusion through employability

Activation has been a popular topic in both comparative welfare state and political economy literature for nearly two decades. Researchers argue ideational factors (Weishaupt, 2011) and political credit claiming (Nelson, 2013, 261; Bonoli, 2013, 44-45) have led countries to adopt activation policies since the mid-1990s. Despite immense interest in activation policies, they remain difficult to classify because they are not confined to one policy area and may lead to divergent policy objectives (Crespo and Pascual, 2004, 17; Barbier, 2008, 170-171). These challenges aside, activation policies share similar characteristics including the notion of employability, the individualization of policy delivery and a shift toward mutual obligations.

The term “activation” itself has been defined multiple ways and is used to describe changes in both social and labour market policy. Better understood when contrasted with other social programs, one may state that whereas passive social programs provide benefits (financial or services) and protect those presently employed, active social policies aim to

remove obstacles to employment (Bonoli, 2013; Gingrich and Ansell, 2015; Crespo and Pascual, 2004, 19).¹⁶ These policies typically reorient social protection and labour market provisions to curtail passive expenditures and redefine the social contract to emphasize individual rights and responsibilities (Lindsay and Mailand, 2004, 129, 155; Crespo and Pascual, 2004, 13).

Authors clarify that activation may manifest itself various ways. Van Berkel and Møller explain five ways governments introduce activation (2002, 49-51). First, policymakers may introduce activation by reducing benefit generosity for existing passive schemes. In so doing, they effectively re Commodify individuals by reinforcing their dependence on the market or family for subsistence. Second, a country may adopt new measures to promote employment, thereby creating stand-alone activation schemes. Third, active policies may replace passive policies. This tactic is especially relevant for youth. For example, in some states the “right” to income protection for individuals below a certain age has been replaced with a “right” to employment or education. Fourth, existing passive benefits may be linked to active policies via conditions. In so doing, individuals must participate in activation schemes, such as training or work requirements, to receive income protection. Fifth, states may adopt policies that represent combinations of active and passive policies. In this case, rather than changing individual rights, states create new rights and benefits that are attached to work requirements. Van Berkel and Møller illustrate this with new social minimums (2002, 51). They explain that, in countries where youth could not previously qualify for income protection, these schemes create new entitlements. However, individuals must also meet work requirements – active measures – to receive them.

Activation can also be understood through longitudinal studies. Bonoli explains there are three distinct activation policy phases: labour-market shortages in the 1950-1960s,¹⁷ rampant unemployment in the 1970s¹⁸ and a more recent phase beginning in the 1990s

¹⁶ The distinction between active and passive policies is a simplification. As van Berkel and Møller explain, this dichotomy is not entirely valid, and it is important to analyze “the interrelations between income protection schemes and policies aiming at promoting participation” (Van Berkel and Møller, 2002, 49).

¹⁷ The first activation policies began with the Rehn-Meidner model in Sweden. The Rehn-Meidner model was created in the 1950s by Gösta Rehn and Rudolf Meider. The goal of the model was “[...] to combine full employment with fair wages, price stability and high economic growth” (Erixon, 2010, 677). During this period, activation mainly consisted of training programs to address labour shortage issues. As Bonoli explains, the Rehn-Meidner model aimed to create full-employment while maintaining solidaristic wages through collective bargaining across all sectors of industry (2010, 444). One of the challenges created by the model was that industries and firms that were unable to remain competitive within this environment would disappear from the market. For instance, not all industries were competitive enough to absorb the rising costs of collectively bargained wages. In this context, active social policies were created to ensure that workers who lost their jobs could be retrained and moved into productive sectors of the labour market (Bonoli, 2010, 444). Although Sweden is the main state this occurred in, Bonoli points out that other states, including Italy, France, and Germany used similar policies during this phase. The OECD explains this period as one in which active labour market policies were used to respond to labour market demand and to remove “bottlenecks” (1993, 39).

¹⁸ The second phase of activation began after the oil crises in the 1970s and consisted of policies to address the opposite problem, high levels of unemployment. Bonoli explains that in this context “occupation” type activation policies were

(2010, 439, 443). The third activation phase, characterized as a move towards increasing incentives for work and employment assistance (Bonoli, 2010, 448), most concerns this research.

During the 1990s and early 2000s, the notion from welfare-to-work came to be a dominant preoccupation for policymakers (Barbier, 2008; Bonoli, 2013). The OECD used this notion as a framework for labour market policies (1993, 39). Additionally, right-wing policymakers in the United States and Britain used workfare as a means of underlining how social policy could negatively affect an individual's work ethic (Barbier, 2008, 166-167).¹⁹ Although continental European states have also used workfare-ism, it has not always carried the same meaning.²⁰ To overcome the obvious limitations of workfare as a catchall term, authors put forward activation as a more general term (Barbier, 2008, 167).

Paraphrasing Barbier, activation is meant to convey the explicit link created between social protection and work life (2008, 168). These policies use paid employment as a means for social inclusion and therefore reinforce the link between work access to social protection. Examples of this logic are found in "making work pay" policies promoted by various organizations and governments.²¹ Critically, these policies promote employment by reinforcing mutual obligations through incentive structures. This means they create policies that incentivize employment take up.

The relationship between employment and inclusion has long been integral to our understanding of social policy. By using decommodification to conceptualize the individual's market dependence for survival, Esping-Andersen places this notion at the forefront of his famous capitalist welfare state regime classification (1990).²² *Activation*, however, is meant to provide a critical definition of the reinforced link between the efficiency and equality of social programs and their justification through active participation in work life

adopted by various states (2010, 446). This meant the creation of jobs in the public sector in an attempt to maintain previous levels of employment. Training and temporary jobs were also seen as other solutions to unemployment. According to some, these activation solutions "proved inadequate" and "self defeating" (OECD, 1993, 41). This discontent eventually led to the third activation phase.

¹⁹ Barbier explains that the term workfare itself was famously used by Richard Nixon to describe policies that demand work in return for social benefits (2008, 166).

²⁰ Vis analyzes the multiple uses of workfare and presents its defining characteristics. They can be reduced to "[...] the emphasis on three principles: (1) the obligation to work; (2) the objective of maximal labour participation; and (3) minimal income protection" (2007, 109).

²¹ Schmidt and Gazier juxtapose this approach with basic minimum income policies which dislocate employment from access to social protection (2002, 3).

²² Comparativists recognize welfare states have different degrees of decommodification that range from commodification (individuals are dependent on the labour market for survival), decommodification (individuals are independent on the labour market for survival, through state, familial or market programs), and recommodification (a certain degree of labour market dependence for survival is re-imposed, usually through state-imposed conditions for benefit recipients). These tensions, it is important to note, are constantly in flux and have always varied from state to state, program to program.

(Barbier, 2008, 168).²³ As such, employment and “employability” have become increasingly valued.

The term employability has been used different ways,²⁴ Lindsay and Pascual explain that activation principles have used the notion of employability to create measures that “motivate” the unemployed back into work (2009, 952).²⁵ According to this conceptualization of employability, employment is no longer an unconditional right. Instead, policymakers expect an effort on the part of the individual.

The next subsection contextualizes these changes by explaining how changes the life-course have led to a reliance on modern institutions. Within these new relationships, state institutions have been used to influence behaviours. This includes creating policies to enforce incentives to join and remain in the labour market as a means for social inclusion.

1.3.2. Individualization and neoliberal tendencies

The reinforced link between social inclusion and employment can be partially understood through changes in the life-course, leading to the individualization of trajectories and an increased dependence on modern institutions. Institutions, in turn, have been affected by neoliberal ideas that aim to limit moral hazard and hold individuals accountable for their choices. These ideas have been enforced through policies that alter incentive structures.

The life-course perspective posits the normative chronological arc of life has evolved, leading to a diversification of individual trajectories also known as individualization. In this context, “young people are forced (but also allowed) to take [sic] decisions (for) themselves and to ‘invent adulthoods’ beyond reliable collective patterns” (Pohl and Walther, 2007, 535). While this may imply greater freedom in the life-course, individualization theory also explains that dependence has gradually shifted away from the family and social collectives to modern institutions such as the welfare state, labour markets and education systems (Howard, 2007).²⁶ Modern institutions cater to these needs by structuring

²³ What is important here is the *intent* of work participation and not the *effect* of work participant on the efficiency of social and labour market policy, which has been widely discussed in micro-econometric analyses. See for example Martin (1998); Card et al. (2010); Eichhorst and Rinne (2015).

²⁴ Lindsay and Pascual explain three main ways employability has been used in labour markets. First, they explain that it can be understood as the promotion of measures to improve technical skills by adapting training needs to an industry. Second, it employability has been used for methodological and attitudinal competencies such as career guidance and job-search support. Third, it has been used as an activation principle (Lindsay and Pascual, 2009, 951-952).

²⁵ Activation and the emphasis on employability have been justified through various motivations. This includes, reinforcing existing norms for employment; maintaining the employability of the reserve army; the transition to a Schumpeterian workfare regime; and political reactions to social developments (Van Berkel and Møller, 2002, 59-60).

²⁶ To be clear, authors have found competing discourses justifying the individualization of social policy. This includes as a means of addressing the erosion of the family unit and the diversification of social risks (Valkenburg, 2007, 26-27). Individualization has also been understood as a way of resolving issues created by welfare states through privatization and free market regulation (Valkenburg, 2007, 28-29).

individual choice and imposing “new and often contradictory demands on individuals” (Howard, 2007, 2). The state, therefore, plays an increasingly important role in individual life trajectories.²⁷

Institutions have long been known to affect individual behaviours (Esping-Andersen, 1990; Skocpol, 1995; Pierson, 1994). One branch of individualization theory, governmentality, explains how neoliberal institutions have been used to do so. “[N]eoliberal state policies implore individuals to become self-critical, to take responsibility for their lives, to adapt specific practices of self-regulation and improvement and to embrace entrepreneurial and materialistic self-identities” (Howard, 2007, 5). According to this theory, institutions have changed their demands on individuals towards those of neoliberal economics.

The proliferation of economic thought in the social sciences is one way of understanding how individualization theory relates to the new welfare state. Although previously isolated from other social sciences

“orthodox economics has itself made a social turn, progressively colonizing the social sciences, especially at the point where they intersect with public policy. While it is widely recognized that neoliberal economists conquered finance ministries and central agencies some time ago, social policymaking also has fallen under economics’ seductive claims to certainty, ‘scientific’ neutrality, and universalism. Thus, rather than stand in opposition to social thinking, economic orthodoxy is embedding itself into the very conceptualization of social problems and the generation of public policy solutions”

(Brodie, 2007, 158).

The promotion of free-market measures and labour market liberalization are among the central tenets of neoliberalism and economic orthodoxy. According to this view, welfare state overprotection has led to unsustainably expensive social programs and overly bureaucratic processes. This so-called overprotection has created a situation in which individuals may abuse the system and profit from the state. Proponents of this view have advocated for the removal of perverse incentives by ensuring social protection through labour market integration. Neoliberalism has therefore created institutions to enable individuals while maintaining strict requirements. Labour market activation is part of the larger neoliberal trend.²⁸ Activation changes institutional structures by explicitly linking the right of social

²⁷ Life trajectories are increasingly fragmented and new social risks identify welfare state problem pressures related to the diversification of individual needs in modern society. These risks highlight vulnerabilities in post-industrial society and provide insight into the fragmentary nature of individual needs. Meaning that state institutions can affect individuals by the presence or *absence* of programs.

²⁸ As Barbier justly explains activation and labour market flexibilization (liberalization) are two different things that,

protection to the responsibility of labour market integration. Regulations, in turn, reinforce this link and remove potential obstacles to employment through various financial and human capital incentives.

Researchers argue that epistemic communities have facilitated neoliberal and activation ideas. Weishaupt contends there has been a transformative ideational shift in labour market policy influenced by ideas promoted by both the OECD and the EU (2011, 24). The OECD has become a key proponent of activation policies by evaluating how social policies affect the labour market. This organization has promoted the adoption of ALMP as a framework for labour market policies since 1992. At that time, OECD labour ministers endorsed “[...] a plan of action based on the concept of active labour market policies” as a means of resolving supply-side issues in the labour market (OECD, 1993, 39-41). In theory, these policies should lead to a “virtuous circle” in which the number of beneficiaries is lowered to allow governments to concentrate their resources better (OECD, 2005, 174). For this reason, the OECD advocates funds be transferred “[...] *from passive income support to more active measures which assist reemployment*”,²⁹ specifically for long-term unemployed youth (1994, 50-51).³⁰

The OECD also argues existing social programs, especially unemployment benefits, may create adverse effects on the labour market. This may occur when social programs modify incentives by creating financial (dis)incentives for employment. For instance, the 1996 *Employment Outlook* report emphasizes the concept of benefit dependency with the notion of “making work pay” (OECD, 1996b). This notion stems from the fact that post-war benefit systems were created for a socioeconomic context of the male-breadwinner, stable families, economic growth and full employment. However, the socioeconomic context has greatly changed over time, leading to new labour market obstacles (OECD, 1996b, 26-27). In this new economic environment, financial incentives may create additional barriers to labour market entry or re-entry.³¹

The OECD highlights two key difficulties to overcome. First, the “unemployment trap”

although at times related, should be distinguished from one another (2008, 169).

²⁹ Italics original.

³⁰ In addition to promoting activation, the OECD has long recognized that youth employment is an important issue. In the OECD’s 1996 Employment Report, the organization recognizes that youth is a transitional period in which many steps are taken. It explains the issue of youth employment as “Changing patterns of employment and job opportunities and, in many countries, high unemployment, have led to different, often more prolonged, patterns of leaving home and new household/family formation. New entrants to the labour market did so under different circumstances compared with the 1960s or most of the 1970s.” (OECD, 1996a, 109).

³¹ The OECD report points out three main barriers: high replacement rates, lack of job search requirements as a condition of benefit reciprocity, and in-kind benefits (OECD, 1996b, 36-40). The uncertainty created by the complexity and lack of transparency of programs is also seen as a major issue (OECD, 1996b, 42).

that occurs when “[...] benefits paid to the unemployed and their families are high relative to expected earnings in work so they have little incentive to find a job” (OECD, 1996b, 25). Second, the “poverty trap” which describes how “[...] incremental increases in earnings or income lead to a withdrawal of benefits and higher tax and social security payments, so people on low incomes receiving benefits are discouraged from additional effort” (OECD, 1996b, 25). These two policy problems are based on the premise of the individual as a rational actor performing a cost-benefit analysis of the value of work. The OECD goes on to explain that high replacement rates are associated with low work incentives (OECD, 1996b, 37).³²

Upon considering the problem, the OECD proposes supply-side solutions and that programs should be structured to ensure that barriers to the labour market are removed. This can be accomplished through various means including reducing benefit levels, tax reform, making labour search a condition to benefit reciprocity and removing barriers to labour supply and demand.³³ The OECD also highlights the importance of individual financial incentives to join or remain in the labour market. It states mutual obligations “play a central role” and should include employment services to provide individual support and to ensure job-search activity is closely monitored (OECD, 2006, 10). Furthermore, it argues that precise targeting and making job search assistance programs mandatory for unemployment benefit recipients can improve the effectiveness of these programs. It also cautions that cost-effectiveness is key to the success of these programs. Finally, the OECD includes recommendations to smooth the school-to-work transition. Recommendations include human capital investment in “high-quality initial education” (OECD, 2006, 23). It also includes reducing the dropout rate by strengthening vocational education and training (VET) and apprenticeship programs.

The EU has also promoted activation since its employment coordination strategy in the 1997 Luxembourg Agreement. The European Employment Strategy (EES) aims to create common employment guidelines and objectives throughout the EU and is implemented through country reports and reform programs (European Commission, 2016a). Although the EU’s employment strategy is not coercive, the European Council requests employment guidelines be “[...] taken into account by the Member States in their employment policies” (European Council, 2001). This coordination is also structured through the adoption of

³² “People may work despite high replacement rates for a number of reasons, including administrative controls, social pressures and expectations of higher future wages. But, in the longer term, high replacement rates will tend to undermine work incentives” (OECD, 1996b, 37).

³³ For instance, the OECD Jobs Study includes recommendations to increase labour market flexibility (liberalization), emphasize active labour market policies and adopt effective ALMP, and to increase skills through education and training (OECD, 1994).

ten-year strategies including the Lisbon Strategy and the Europe 2020 Strategy. EU's employment strategy has long included activation policies. The 2001 Employment Guidelines adopted by the European Council explain a strategy that relies on activation and adopts vocabulary very similar to that of the OECD.

The employment strategy has four pillars, the first of which is improving employability. Among the policy prescriptions is:

“[...] continued implementation of an effective and well balanced and mutually supportive policy mix, based on macroeconomic policy, structural reforms promoting adaptable and flexible labour markets, innovation and competitiveness, and an active welfare state promoting human resources development, participation, inclusion and solidarity”

(European Council, 2001). The European Council states the goal of ensuring “[...] adequate incentives for all those willing to take up gainful employment with the aim of moving towards full employment” (2001). Importantly, this document recognizes that states will have different points of departure and should, therefore, not necessarily adopt identical measures. Despite this, there is a clear vocabulary for financial incentives for work in the Employment Guidelines. What is more, youth unemployment is recognized as a policy issue. These guidelines make multiple references to poverty traps, incentives for the inactive and the unemployed to integrate the labour market. They also echo the OECD's jargon, stating countries must “[...] step up their efforts to identify and prevent emerging bottlenecks” (European Council, 2001). These strategies extend to youth. For example, the EU adopted the European Youth Pact in 2005 as part of its 2005-2008 Employment Policy Guidelines (European Union, 2005). Additionally, integrated guidelines for the economic and employment policies in 2005 included increasing youth labour market participation (European Commission, 2005, 21). These guidelines were expanded during the financial crisis.

Weishaupt argues the promotion of activation by these organizations has led to labour market policy convergence in areas such as redefining unemployment from a cyclical to a structural policy issue and promoting supply-side policy solutions (Weishaupt, 2011, 152). Moreover, he contends the political agenda has undergone a normative shift towards activation and the notion of mutual obligations (Weishaupt, 2011, 246). These cognitive and normative shifts have reorganized labour market policy according to the prescriptions of New Public Management (NPM) (Van Berkel and Borghi, 2007; Weishaupt, 2011).³⁴

³⁴ Weishaupt loosely defines NPM here as “[...] public administration should emulate private business practices by focusing

Although these shifts have resulted in a variety of labour market measures for work-incentives, they hold in common the explicit link between welfare and employment.

“Modern social democracy” also adopts elements of activation logic (Van Berkel and Møller, 2002, 62). Examples of this can be found in the Third Way and the social investment perspective,³⁵ which contain neoliberal elements and reinforce the notion of rights and responsibilities (Giddens, 1998; Morel et al., 2012). Authors argue these policies are an attractive solution for governments because they represent relatively low-cost policy alternatives and can lead to affordable credit claiming (Bonoli and Natali, 2012).

Thus, individualization and neoliberalism are key components to the activation paradigm. Both concepts highlight issues of moral hazard in the welfare state, leading to a reconfiguration of rights and responsibilities. In this context, increasing employment levels is promoted as a means to attain welfare state sustainability. To accomplish this, governments are “searching for ‘untapped’ sources” such as activating previously passive individuals (Weishaupt, 2011, 201). To better understand how this is achieved, the next subsection explains mutual obligations and incentives.

1.3.3. *Reinforcing mutual obligations through incentives*

A critical element of the activation paradigm is mutual obligations. According to scholars Eichhorst and Konle-Siedl, increasing labour market participation has led to a “re-orientation of social citizenship, away from freedom of want towards freedom to act while continuing to guarantee a socio-economic minimum standard” (2008, 6). As other researchers explain, under the activation paradigm

“citizens are increasingly considered to be responsible for their own lives, are expected to invest in their employability, and, when dependent on the welfare state, are granted rights and entitlements only on the condition that they fulfil the obligations society imposes on them”

(Van Berkel and Borghi, 2007, 413). The reinforced link to the labour market has become a tool for advanced capitalist welfare states to create a strong labour market and increase

on customers and results” the key components of this reorganization for public employment services are: “The most important elements of this new PES “service model” included: the use of management-by-objectives and advances toward decentralisation; rigorous, independent, and comprehensive labour market policy evaluations; merging of – or at least closer collaboration between – regimes for social assistance and unemployment benefits; active promotion of new local partnerships; competitive tendering for service provision; removal of restrictions of private employment service agencies; and finally, the expansion of self-help services and individual, in-depth case management” (2011, 26).

³⁵ Evidence of a transition towards investment in human capital has led authors such as Jenson and Saint-Martin, and Hemerijck, to use the term social investment as a means of situating new social policies within existing paradigms of thought (2003; 2012). Containing elements from both Keynesianism and neoliberalism, the social investment perspective is often seen as a middle ground. Those who adopt this perspective consider social policy initiatives to be a precondition for economic growth and job creation by preparing the population for the changing economy (Jenson 2010 10; Morel et al. 2012, 13).

fiscal sustainability in a competitive global economy. Increasing employment levels has consequently become an important policy target for welfare states. For instance, the EU's most recent employment rate target for 20 to 65-year-olds within all member states was increased to 75% by 2020.

Economic theory also posits that generous benefit systems may lead to perverse incentives for inactivity. To resolve this, policymakers encourage employment through demanding and enabling incentive structures (Eichhorst and Konle-Seidl, 2008, 4). This assertion has also, in part, led to the individualization of service provision to accommodate needs. Furthermore, the relationship between service provider and benefit recipient has commonly been formalized through Individual Action Plans (IAP).³⁶ Additionally, states encourage activation by reinforcing mutual obligations through supply- or demand-side measures.

One way mutual obligations are enforced is through active labour market policies (ALMP). The OECD has defined ALMP as components of labour market expenditures that aim “[...] at improving access to the labour market and jobs, job-related skills and labour market functioning” (1993, 39).³⁷ They are a policy tool specifically used for the “the macroeconomic management of the structural imbalances in the labor market” (Lødemel and Moreira, 2014, 8-9). Authors have found that countries have increasingly adopted ALMP to reinforce the link between social protection and work life. This is especially visible in social democratic and liberal welfare state regimes (Bonoli, 2013, 45). ALMP may include varying degrees of human capital investment. In this way, social investment is partially related to the activation paradigm. Although activation is closely related to social investment, the former emphasizes the government's responsibility to prepare the population whereas activation is specifically oriented towards incentives for labour market integration and highlights the responsibility to work.³⁸

³⁶ Pohl and Walter explain IAPS as “a written document (or contract) which, based on evaluation of personal circumstances, abilities and professional skills of the individual, determines the type and scope of assistance required and sets out specific procedural steps for occupational integration” (Pohl and Walther, 2007, 541).

³⁷ This can be contrasted with the definition of activation, which is a general term used to designate policies that may have varying degrees of investment in human capital, but have in common reducing obstacles to labour market entry and to the goal of moving benefit recipients back *into* the workforce (Bonoli, 2013, 19; Lødemel and Moreira, 2014, 8-9).

³⁸ While authors who adopt this term direct our attention to a pertinent paradigmatic transformation, classifying policies according to this notion presents many shortcomings for academic research. To begin with, states do invest in long-term human capital policies for youth. However, youth are also subject to a variety of other policies. Moreover, although the perspective is often presented as an enlightened compromise for the future welfare state, it is a deeply political term representing ambiguous agreements between actors. Meaning analyzing specific policies through the rhetoric of social investment can be difficult. For example, social investment has regularly been used in a prescriptive manner by policy experts and academics alike to advocate for policy change (Giddens, 1998; Esping-Andersen, 2002; Vandenbroucke et al., 2011; Hemerijck, 2012; Giddens, 2013). The social investment perspective has also been co-opted by political parties such as the British Labour Party's Third Way movement. For these reasons, in spite of the fact this term does identify an aspect of social policy change, it is my opinion that research is better accomplished through a more objective conceptualization.

Activation policies use different mechanisms to alter the cost-benefit calculation of work and to invest in individual employability. They can be compensatory or preventative and may include mixes of strict activation requirements as well as more generous social investment measures. For instance, they may emphasize or reinforce benefit conditionality by imposing financial sanctions for non-compliance to overcome perverse incentives. These cost-benefit changes include making active labour search a condition for benefit reciprocity. In instances where individuals are marginalized and require assistance to overcome obstacles to labour market entry, activation policies may also provide financial or human capital incentives. Examples include financial support and working tax credits to increase the value of work. Human capital investment is another policy tool. It is found in employment assistance measures to enhance an individual's ability to market their skills as well as in training and education programs.

1.3.4. Forms of youth activation

Activation incentives are relevant for understanding youth employment policy because they are used to facilitate employment transitions. This dissertation analyzes these policies as they relate to two significant youth transitions: the school-to-work transition and the transition to stable employment. Issues linked with these transitions include individual qualifications and access to training and education, labour demand, access to social benefits and labour market policies. As other researchers have noted (Aust and Arriba, 2005; Pohl and Walther, 2007; Caliendo and Schmidl, 2016), activation policies and ALMP in multiple countries specifically target youth to encourage them to enter and remain in the employment.

Examples of ALMP that may help youth transitioning from school-to-work and unemployment to employment include OECD and European Commission's Social Expenditure (SOCX) indicators such as public employment services, training, employment incentives and direct job creation (Adema et al., 2011, 99). Education and training policies invest in human capital and may be used to smooth the school-to-work transition. Job creation policies provide temporary employment for long-term unemployed youth as well as work-experience that may be transferred to future employment. Youth guarantees also include activation components. Although these policies vary from state to state, they outline clear mutual obligations between the state and the individual.³⁹ Guarantees are usually made available to unemployed individuals between the ages of 15 and 29. They typically provide ALMP-type programs that range from access to education and training, public

³⁹ Researchers have compared the rate of adoption and composition of youth guarantees. They have found that, although numerous states have adopted these policies and the guarantees are based on similar principles, in reality, levels of commitment and the speed of implementation vary (Bussi and Geyer, 2013; Escudero and Mourelo, 2015).

employment services or temporary employment. Youth guarantees may also offer financial compensation for participation. Policy conditions include mandatory participation in guidance sessions and prescribed work-programs or education. Since 2005, the EU has promoted the adoption of youth guarantees based on past success in Sweden, Denmark, Finland, Norway, and Austria (Bussi and Geyer, 2013; Escudero and Mourelo, 2015, 2). As of 2010, the EU focused more intently on youth employment with a series of agenda-setting initiatives including the 2013 recommendation for a Youth Guarantee (O'Reilly et al., 2015, 9-10).

Activation does not capture all of the dynamics of youth policies, which include passive benefits such as unemployment insurance or income maintenance, as well as education policies. That being said, the underlying notion of removing obstacles to the labour market does serve as a good starting point for understanding recent policy change for youth. The next subsection provides examples of how epistemic communities within the OECD and EU have promoted activation since the 1990s.

1.3.5. Youth policy recommendations since the financial crisis

Although youth unemployment has long been a policy issue, it gained salience in the post-crisis and multiple organizations defined the problem and proposed policy solutions. In this subsection, the positions taken by both the OECD and EU leading up to and during the financial crisis are outlined. These positions and recommendations are expected to be a factor in national policymaking, as explained in further detail in Chapter 2.

The International Labour Organization (ILO) defines current youth employment as a pre-existing crisis⁴⁰ that has been exacerbated by the 2007-08 financial crisis (ILO, 2012, 3). Among a range of policy solutions, the ILO explains priority should be given to ALMP and that “Good practices demonstrate that conditionality, activation, and mutual obligation assist in achieving early exits from unemployment” (ILO, 2012, 9). In a report in conjunction with the OECD for the G20, these organizations present a monitoring scorecard that includes “[...] a range of indicators [...] to capture the labour situation of young people and changes over time” and sets targets for members states (OECD and ILO, 2015, 5-6).

In 2013, the OECD published an *Action Plan For Youth* as a response to challenges posed by the financial crisis in relation to existing structural issues (OECD, 2013b). The plan reflects the OECD’s Job Strategy objectives and is meant to support existing commitments by the ILO, the G20 and the EU. The OECD explains youth face two types of issues. First,

⁴⁰ For which it has already published reports and recommendations, including a 2005 resolution concerning youth employment.

youth unemployment is linked to structural issues. “Labour market outcomes for youth have been much poorer than for prime-age workers for most of the past two-decades” (OECD, 2013b, 4). Second, the financial crisis has reinforced these issues by exacerbating youth unemployment, NEET rates and labour market segmentation (OECD, 2013b, 4). Consequently, the OECD’s plan outlines two overarching goals: to reduce high youth unemployment and to create better long-term perspectives for youth. Additional focus is placed on the most vulnerable youth. To achieve these goals, the OECD provides short-term and long-term objectives and recommendations.

The OECD’s short-term objectives are meant to respond to the financial crisis and to reduce youth unemployment. They include promoting job creation, providing unemployed youth with income support with strict mutual obligations until the labour market improves, a continuation of “cost-effective active labour market measures”,⁴¹ reducing demand-side barriers to employment (especially for low-skilled youth), and encouraging internships and apprenticeships (including through financial incentives) (OECD, 2013b, 3). In a 2012 report on youth unemployment in G20 nations, the OECD does not recommend adopting policies that either lower social contributions or introduce wage subsidies. However, it does recognize that states have adopted these strategies. To ensure such measures are as cost-effective as possible, they recommend “reductions in labour costs could be **narrowly targeted on low-skilled or other disadvantaged youth** and could require that no workforce reduction occurs around the time of hiring” (OECD, 2012, 6).⁴² The long-term measures the OECD recommends in their “Action Plan for Youth” aim to resolve long-existing structural issues. They include a renewed emphasis on education and VET programs, aiding the school-to-work transition, and employment as a means for social exclusion (OECD, 2013b, 3).

In continuation with its 2005 Employment Policy Guidelines, the EU published multiple reports on youth unemployment. Citing the effects of the financial crisis, the European Parliament put forward a resolution requesting the European Commission and Council create a job strategy for youth in the form of a Youth Guarantee in 2010 (European Parliament, 2010). Following this, the European Commission created “Youth on the Move” encourage member states to create their own Youth Guarantees. Subsequently, there were a series of initiatives, recommendations and resolutions to promote youth employment from 2010 to 2013 including an Employment Package, and the “Youth Opportunities Initiative”. In

⁴¹ This includes “[...] counselling, job-search assistance and entrepreneurship programs, and provide more intensive support for more disadvantaged youth, such as the low-skilled and those with a migrant background” (OECD, 2013b, 3).

⁴² Boldface original.

2013, the EU created a comprehensive strategy to address youth unemployment following by adopting the Youth Employment Initiative and the Youth Guarantee.

The Youth Employment Initiative dedicates funds from the EU's 2014-2020 Multiannual Financial Framework for support measures including the Youth Guarantee. The Youth Guarantee is a recommendation to ensure member states create measures to integrate youth into the labour market and aligns with the EU's 2020 Strategy. The recommendation targets youth 25-years-of-age and under who are neither in employment, education or training (NEET). The EU defines a Youth Guarantee as

“a situation in which young people receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education. A proposal for continued education could also encompass quality training programs leading to a recognised vocational qualification”

(European Union, 2013, 1).

Contrary to the OECD, the EU – while having no formal power to impose social policies on member states – has provided financial incentives. In addition to the Multiannual Financial Framework, the EU also allows European Social Funds to be used to implement the Youth Guarantee. In total, €8.4 billion in funding has been allocated to support these initiatives. The region must have a youth unemployment rate above 25% to be eligible for funding.

Finally, both these international organizations use indicators to monitor youth conditions within and between states. The OECD participates in benchmarking for youth with the G20 and ILO on social and labour market policy. The EU uses that European Semester as a framework for monitoring member states. It also has various benchmarking tools within its Director-Generals.

1.4 Conclusion

In this chapter, I have argued that youth is a significant subcategory of the population and explained how activation is key to understanding new social policy before the financial crisis. In the next chapter, I present analytical frameworks to determine how welfare states have modified their youth transition policies following the financial crisis and Great Recession.

Chapter 2 | Analytical Frameworks and Hypotheses

This dissertation is founded on Hugh Heclo's notion that ideas, interests and institutions form the building blocks of political science. Heclo states that "[...] understanding is best advanced, not by giving priority to one or another type of variable, but by concentrating on the interrelationships of ideas, interests, and institutions" (1994, 375). Moreover, the intellectual task "[...] is not to cut the knots or pick out the single golden analytic strand: It is how to follow the strands of ideas, interests, and institutions as they intervene and enfold in dynamic processes" (Heclo, 1994, 382). Adhering to this notion, I adopt theoretical frameworks from each of these building blocks, which broadly represent the concepts behind new institutionalism, to analyze how welfare states have modified their youth transition policies since the financial crisis. This chapter outlines these frameworks for policy change and their corresponding hypotheses, which will be tested in each case chapter using process-tracing.

In the chapter, I 1) define policy continuity and change using the notion of the logic of action. 2) I explain what factors have been found to be particularly relevant to social policy change. 3) I create three analytical frameworks based on ideas, interests, and institutions to conceptualize welfare state change and map out mechanisms for each theory. Diffusion theory tests the mechanism of policy learning. Power resource theory and partisan preferences test the mechanism of coalition building. Historical institutionalism tests feedback mechanisms. Each theory section also includes hypotheses and examples of potential evidentiary signatures for process-tracing.

2.1 Defining Policy Change

The dissertation analyzes policy change by determining if activation incentives adopted within a case represent continuity or discontinuity. To do this, I use the notion of logic of action. This section contextualizes the spectrum of change by defining what continuity and discontinuity represent according to existing literature.

As explained in Chapter 1, experts have associated types of change with political science theories. Historical institutionalism, for example, is often associated with a *status quo* bias because of its emphasis on self-reinforcing mechanisms. To account for drastic change,

Table 2.1: Types of Institutional Change: processes and results

Process of Change	Result of Change^a	
	<i>Continuity</i>	<i>Discontinuity</i>
<i>Incremental</i>	Reproduction by adaptation	Gradual transformation
<i>Abrupt</i>	Survival and return	Break down and replacement

^a Taken from Streeck and Thelen 2005, 9.

historical institutionalists sometimes resort to the notion of exogenous shocks and critical junctures. Punctuated equilibrium is another example of a theory that explains abrupt change through radical shifts. Critical of the inability to adequately explain more subtle forms of change, recent new institutionalist literature argues that lasting change may also be incremental and caused by endogenous factors. Table 2.1, taken from Streeck and Thelen (2005), shows that both incremental and abrupt processes can lead to continuity and discontinuity.

New institutionalist scholars explain continuity as “survival and return” of the logic of institutional action and incremental change as “institutional discontinuity caused by incremental, ‘creeping’ change” (Streeck and Thelen, 2005, 8-9). Institutions are defined here as “a set of rules stipulating expected behavior and ‘ruling out’ behavior deemed undesirable” (Carstensen, 2015, 6). By “logic of action”, new institutionalists mean the strategies and approaches for problem-solving and decision making. Institutions are distributional instruments and actors can act with or against these logics of action (Mahoney and Thelen, 2009, 9). According to this definition, institutions include government policies. Institutions and the potential for change should consequently be understood as the dynamic between rule makers, rules and rule takers.

Streeck and Thelen explain rule makers, those who design institutions, are not infallible and there is always a gap “between the *ideal pattern* of a rule and the *real pattern* of life under it” (2005, 14).¹ Rule takers, those who implement rules, can modify them in the process of their application. These interactions lead to a dynamic between an existing structure and the agents within it that can lead to both policy continuity and change. Actors can use their agency strategically to obtain their objectives by following the rules in place or by working against them (Mahoney and Thelen, 2009, 23). These interactions lead

¹ Italics original.

to different types of incremental change including displacement,² layering,³ conversion,⁴ drift,⁵ and exhaustion.⁶ While actors may use their discretionary powers to try to enact change, new institutionalist theory also posits the ability to enact different modes of change depends on the configuration of institutions (Mahoney and Thelen, 2009, 16-18). This includes veto possibilities and the level of discretion.

An example of policy continuity through survival and return or by reproduction by adaptation would imply that youth employment is treated the same in the post-crisis as before it. There may be investments or injections of funds in existing initiatives or initiatives that maintain a similar logic of action.⁷ The other end of the spectrum of change is the breakdown and replacement of institutions. In the context of activation incentives, radical reform such as structural reforms of youth employment policies would be considered an abrupt institutional change. Exogenous shocks such as critical junctures can cause this. Although critical junctures are commonly associated with change, this can be misleading. Scholars define critical junctures as “a situation that is qualitatively different from the ‘normal’ historical development of the institutional setting of interest” (Capoccia and Kelemen, 2007, 348). Following this definition, the financial crisis may represent a critical juncture. This definition means critical junctures represent the potential for but will not necessarily lead to change. Hence, while the financial crisis may represent a critical juncture, this does not necessarily indicate radical change will occur.

As explained above, abrupt change is not the only potential result. Researchers have also found instances in which institutions gradually transform over time such as the incremental changes described in the previous section. Gradual change can be explained through various mechanisms, all of which lead to “incremental change with transformative results” (Streeck and Thelen, 2005, 9). This type of change can occur through institutional innovations altering how governments conduct youth policy. Meaning new logics of action can have significant consequences without entirely overhauling existing youth policies.

Although Table 2.1 categorizes gradual transformation as an incremental process of change,

² Mahoney and Thelen define displacement as “the removal of existing rules and the introduction of new ones” (2009, 15).

³ Layering means “the introduction of new rules on top of or alongside existing ones” (Mahoney and Thelen, 2009, 15).

⁴ Conversion is defined as “the changed enactment of existing rules due to their strategic redeployment” (Mahoney and Thelen, 2009, 16).

⁵ Policy drift is a term used to denote changes in social policies due to deliberate non-decisions to recalibrate them (Hacker, 2004).

⁶ This is the notion that behaviour in institutions can lead to institutional breakdown rather than change (Streeck and Thelen, 2005, 29).

⁷ Logics of action do not automatically rule each other out, and multiple logics of action may coexist. In such a context, continuity may be maintained.

scholars have also found abrupt processes can lead to progressive transformation. Carstensen explains that “bricolage” may occur during periods of crisis when rule makers “[...] reinterpret the meaning of rules and redeploy them under significantly altered circumstances leading to gradual change” (2015, 1). In such instances, change emanates from rule makers reinterpreting rules under new conditions and adding to them rather than rule takers not complying with existing rules. Carstensen explains that rule makers can rearrange existing institutional elements as a response to crisis and uncertainty leading to either limited or expansive bricolage.⁸

To determine changes in the logic of action and to understand how welfare states have modified their youth transition policies, I test three institutionalist theories. These theories allow me to determine how to expect welfare states to respond to rising levels of youth unemployment. Before outlining the frameworks, I explain relevant factors for social policy change.

2.2 Factors Affecting Welfare State Change

Comparative welfare state researchers demonstrate multiple factors must be considered to analyze social policy change. These include spending levels, market-orientation, investment in human capital, the time horizon for service provision, and the level of programmatic inclusivity (Bonoli and Natali, 2012; Beramendi et al., 2015). Furthermore, experts have identified factors that may aid or inhibit a government’s ability to enact policy change. Factors that modulate policy trajectories include partisan politics and coalition strategies, institutional frameworks (such the degree of centralization and the number of veto points), policy feedback effects, and timing or crowding out effects by mature policies and economic and demographic pressures.

Another significant notion is new social risks. These risks are significant because they identify pressures for programmatic reform due to post-industrialism and the evolving structure of the family unit (Taylor-Gooby, 2004; Bonoli, 2005). New social risks have been applied to welfare state literature to emphasize the individual and to underscore how pressure for change is not uniquely for retrenchment, but also for modernization and recalibration. These pressures are explained by the fact new social risks create complex demands for reform and actors are likely to defend narrow interests (Häusermann, 2010, 25). Scholars also explain that individuals affected by new social risks typically have low power resources due to weak political participation and under-representation in partisan

⁸ Limited bricolage is explained as being more “organic” and is explained as the “application of existing institutions under novel circumstances” (conversion) whereas expansive bricolage is the grafting of “institutional elements representing a different logic of action to the existing set” (layering) (Carstensen, 2015, 2).

and labour organizations (Bonoli, 2005, 13-14).⁹ Analyzing welfare state modernization consequently requires the analysis of strategic coalitions between political parties, labour, and capital.

Finally, using a multidimensional approach¹⁰ researchers have identified four main mechanisms for social policy change in the new welfare state. These are: political exchange, modernizing compromises, affordable credit claiming, and dualization. First, political exchange is a mechanism that implies trade-offs between critical actors (Bonoli and Natali, 2012). Second, modernizing compromises is a variation of political exchange in which retrenchment and expansion are combined (Häusermann, 2010). The third mechanism, affordable credit claiming, uses political visibility and blame avoidance to explain how highly visible changes with a low fiscal cost occur (Bonoli and Natali, 2012). Fourth, dualization is a mechanism based on the notion that labour market and social segmentation among the population creates conflict between citizens leading to pressure for policy change.

Now that the processes and modes of change, as well as factors affecting change, have been explained, the following three sections outline analytical frameworks for three theories for welfare state change. This includes policy learning through diffusion, coalition formation through partisan preferences and power resources, and feedback effects through new institutionalism.

2.3 Cognitive Theory and Diffusion

Ideas are part of a cognitive understanding of policymaking. In this dissertation, ideas are modelled using diffusion theory. Although there are multiple mechanisms for diffusion (Simmons et al., 2007, 460-461) and scholars have previously stated that high employment may be a social norm for advanced capitalist nations leading to isomorphism (Nelson, 2013, 556),¹¹ the primary mechanism of interest for the dissertation is policy learning. That is to say, lasting alternations in the belief of cause and effect for the issue of youth unemployment (Simmons et al., 2007, 451-452).

Rose specifies that lesson drawing is motivated by dissatisfaction with the status quo (1991, 7, 9). Similarly, policy learning should consist of a conscious evaluation of the effects of applying a specific policy to the case at hand. Authors have highlighted that learning can

⁹ Research also shows that partisan preferences are value driven as well as interest-driven, which creates interesting implications for partisanship and coalition formation (Häusermann, 2010, 24).

¹⁰ Here, the authors emphasize three dimensions: qualitative, pro-employment, and coverage levels (Bonoli and Natali, 2012, 292-294). The qualitative dimension refers to welfare state expansion or retrenchment. Pro-employment means active and passive policies. Coverage refers to encompassing or selective policies.

¹¹ Isomorphism in political science is the convergence of institutions, this can occur due to coercion, though mimetic tendencies or via international norms.

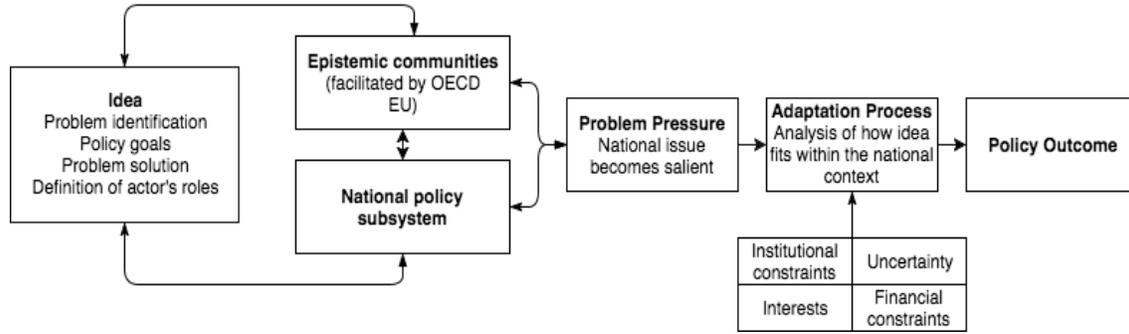


Figure 2.1: Cognitive Theory Framework

take various forms. For example, Hall demonstrates three types of learning: a change in instrument levels, a change in the instruments themselves, and finally a change in policy goals (1993, 281-287). Research also shows learning may be social as well as rational.

Learning is a significant mechanism because comparative welfare state researchers have found instances of learning in cases of activation policy adoption. Hemerijck (2012), for example, explains welfare state change using policy paradigms and Bonoli (2013) explains that policy learning has been a factor in the activation turn. Based on this research, I use policy learning as an independent variable in the dissertation.

2.3.1. Ideational framework

Diffusion, including policy learning, hinges on the notion of interdependent policy innovation. For this reason, it is essential to analyze the sequence of events to ascertain whether or not horizontal or vertical policy diffusion has taken place (Bonoli, 2013, 57-58). To identify the contingent nature of policy diffusion through learning, I sketch out the process as visible in Figure 2.1. First, there must be a policy idea or paradigm. By this, I mean

“[...] ideas about the goals of policy; the identification of issues as problematic in relation to these goals; explanation of why problems arise; solutions to identified problems; explanations of why they will meet the problem; and definitions of the appropriate role for government and other actors”

(Taylor-Gooby, 2004, 11).

In the second phase, actors disseminate ideas. Actors can come in the form of epistemic communities and within the national policy subsystem. Epistemic communities are networks of experts sharing normative and causal beliefs who provide policy alternatives (Haas, 1992, 3, 16). These systems can be broad and facilitated by international organi-

zations. These epistemic communities interact with the national policy subsystem.¹² This may occur, for instance, through published reports, policy recommendations, or conferences. As explained in Chapter 1, the OECD and EU act as part of an epistemic community by consistently promoting youth activation as a potential strategy for resolving unemployment since the 1990s.

Third, the existence of a problem pressure places the issue on the agenda and presents an opportunity for actors to influence the conceptualization of a policy problem and offer potential solutions.¹³ As Figure 2.1 shows, these three elements – ideas, their dissemination through both epistemic communities and the national policy subsystem, and the problem pressure – may operate as both independent and dependent variables, creating feedback loops between policy ideas, their dissemination and the problem pressure.

The fourth part of the framework is the adaptation process in which actors analyze these disseminated ideas and adapt them to the national context. For policy learning to occur, policymakers must be receptive to the policy solution in this phase. This stage in the framework can be affected by the level of uncertainty because epistemic communities are theorized to be more effective during times of high uncertainty (Haas, 1992, 27-29; Blyth, 2007, 775). This influence is explained by the fact, although elites remain aware of their interests, they may be uncertain what strategies to pursue to achieve their preferred outcomes. As the financial crisis led to greater uncertainty, I expect that decision makers are more receptive to policy ideas (Van Kersbergen and Vis, 2013, 188), leading to convergence towards solutions promoted by international and supranational organizations. In the context of activation, the most prominent organizations promoting these policies are the OECD and EU. This stage is also affected by national characteristics.

Fifth, for policy learning to be in effect, there must be an active evaluation of the policy idea and how it applies to the national case. Without this, isomorphism in the form of mimicry, coercion, or assimilating international norms may be at hand. This phase may be affected by context variables including actor's interests, institutional constraints, and financial constraints.¹⁴ The interaction between these factors should lead to the policy outcome.

I distill this complex interaction of factors into two hypotheses:

¹² By national policy subsystem I mean actors and institutions that pay attention to a given policy topic (Howlett et al., 1995, 82).

¹³ As Kingdon (1984) explains policy solutions can be in search of a policy problem in the policy process.

¹⁴ Lieberman can also be an interesting source of information for conceptualizing the institutional friction created through the mismatch of ideas and institutions leading to change and the final policy output (Lieberman, 2002).

H_{1.0}: Policymaking is a cognitive process in which alternatives are evaluated.

H_{1.1}: Policymakers uncertain how to obtain desired outcomes are more susceptible to policy learning through epistemic communities.

2.3.2. Ideational evidentiary signatures

To analyze the presence or absence of policy learning, I search for multiple evidentiary signatures.¹⁵ As defined, learning results from a search for alternatives due to dissatisfaction with the status quo. This definition implies temporality is important for learning. For this reason, I should be able to find indicators of dissatisfaction with an existing or initial policy situation *before* the search for alternatives. This dissatisfaction can be observed in evidentiary signatures like internal and external policy reports and quantitative or qualitative policy evaluations and benchmarks as well as actors speaking or writing about an existing policy (or the absence of a policy).

Once dissatisfaction occurs, there should be a search for alternatives. Observations of a search may include meetings, commissions, and policy reports disseminated by various actors. I hypothesize that uncertainty affects the degree to which policy alternatives are considered. I, therefore, also look for evidence of problem recognition without any accompanying problem definition. I search for this because uncertainty may make actors more susceptible to outside counsel. Meetings between groups or opponents, citing actors or reports, and requests for information are potential observations that may become evidence of uncertainty and outside influence.

In addition to a search for alternatives, I should find evidence of an evaluation of the potential options. This process is essential to determine whether or not a policy idea is the result of learning. A review of alternatives may include policy experimentation, debates on the efficiency of a proposed policy, evidence of policy tinkering or a back and forth between actors, changing policy provisions and actors expressing why there were modifications.

Process-tracing may also identify disqualifying evidentiary signatures for policy learning. For instance, actors may search for policy alternatives, but for learning to occur there should also be an evaluation of policy application in the national context. Another example of a disqualifying evidentiary signature is if actors have a coherent definition of the policy problem and a clear pathway to policy goals because this would indicate a low probability of uncertainty. If observations demonstrate actors were unaware of an existing policy idea and still adopted a similar policy, it may be a case of simultaneous invention. Actors may

¹⁵ Table A.3 summarizes potential evidentiary signatures for policy learning and is be found in Annex B.

also show signs of learning yet eventually discard the proposed solution. The research will, therefore, include any relevant disqualifying evidentiary signatures.

Due to potential interactions with other factors, it is also necessary to look for signs of coercion or mimicry. For instance, although experts may craft policy alternatives and decision makers may heed their advice, this does not mean that policy outcomes will take the form experts intended. This issue is particularly prevalent with activation policies because they often represent ambiguous agreements (Bonoli, 2010, 450).¹⁶ Authors have also explained that the polysemic nature of ideas can help them spread (Jenson, 2010, 71). For these reasons, I am aware that the learning process may also be affected by other factors including power structures, partisan preferences and institutional structures. I include these factors in Figure 2.1. To fully comprehend how national interests and institutions may shape policy alternatives, the next two sections explain hypotheses and variables from power resource theory and historical institutionalism.

2.4 Power Resources and Partisan Preferences

To conceptualize interests, I use power resource theory and partisan preferences. Power resource theorists explain that partisan preferences and coalition formation affect active labour market policy (ALMP) adoption.¹⁷ According to this theory, even though there is evidence of convergence toward incentive-based ALMP, I expect to find qualitative differences between policies due to the different constellation of actors in each case.

Power resource theory extends Marxist arguments on class as a critical cleavage within society and adapts theories on power and collective action to conceptualize political mobilization for social protection in democratic states (Korpi, 1983). Power resource theorists explain

“because of differences in the ways that socioeconomic class is related to types of power resources controlled by citizens as well as to patterns of life-course risks among individuals differently positioned within socioeconomic structures, welfare state development is likely to reflect class-related distributive conflict and partisan preferences”

(Korpi, 2006, 168). As a result, this theory conceptualizes distributional conflicts as the main point of contention between actors within society. Actors use their available resources to participate in the political process in an attempt to influence future outcomes.

¹⁶ The term ambiguous agreement is used to represent the notion that actors agree on measures but, “[...] for different reasons and with different interests” (Palier, 2005b, 131).

¹⁷ Authors have recently contested this by demonstrating how left-wing constituencies have changed and how overall welfare preferences have also changed (Gingrich and Häusermann, 2015). These dynamics will be discussed later in this section.

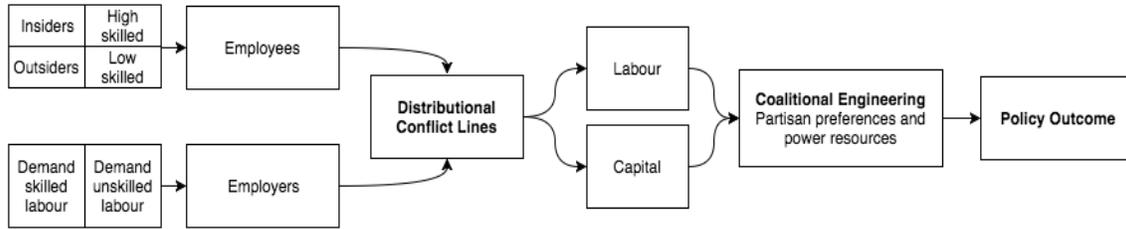


Figure 2.2: Power Resources and Partisan Preferences Framework

2.4.1. *Interest-based framework*

Actor interactions are conceptualized in Figure 2.2. Employees and employers are primary actors who attempt to influence state decisions using their power resources. Actors use two main resources to enforce their preferences, capital (economic assets) and labour (human capital) (Korpi, 2006, 172-173). Power resource theory assumes that actors having low power resources will attempt to mobilize through collective action strategies, notably through trade unions and political parties.¹⁸ The financial crisis has not dramatically modified power resources. However, the number of individuals at-risk for unemployment or facing atypical work has changed.

Consequently, determining potential conflict lines and coalition formation is vital to understanding how policy is formed.¹⁹ Conflict lines are created according to levels of social protection. Power resource theory posits that employees – especially the working-class – have a material interest for high levels of social security and should proactively demand such policies. These interests should translate into partisan support for political parties that embrace social protection in their political agendas (Korpi, 1983, 107). Employers, on the other hand, should not be active supporters of social protection and should also express their distributional interests through partisan and social partner support. They may either act against social protection as antagonists or react to conflict through consent.

This is a simplistic explanation of coalitions. In reality, research has shown that groups are made up of heterogeneous actors, and conflicting interests and preferences can lead to interesting coalition formation dynamics. To understand potential coalition strategies, I outline what distributional interests boundedly rational groups of actors should have and explain expectations for each actor. I also use Korpi’s distinction between reform protagonists, consenters, and antagonists as a tool for considering how distributional conflicts manifest themselves between actors (1983).

¹⁸ Korpi explains that, as life-course risks are usually unevenly distributed among the population and class is related to risk-levels, there is a negative correlation between risks and resources (2006, 173).

¹⁹ A resumé of this is in Table A.4 in Appendix A.

Employees can be divided into multiple subsets. Traditionally, the employees considered in power resource theory are the working-class. However, since power resource literature first emerged, class structures have profoundly changed (Gingrich and Häusermann, 2015, 51). To accommodate for this, I divide employees into four categories according to labour market vulnerability (labour market insiders and outsiders) and education, or human capital, levels (skilled and unskilled labour). I also consider the interaction between these two factors.

As coalition formation is a potential mechanism for policy adoption, I explain how actor's distributional interests translate into social partner and partisan preferences. This first manifests itself with worker divisions acting through trade unions.²⁰ This division leads to market *insiders* and *outsiders*. Insiders are known for having secure employment and being insulated against risks, whereas social policies do not protect outsiders, who are more vulnerable to unemployment and atypical work situations (Rueda, 2005). Under these conditions, worker divisions between labour market insiders and outsiders can lead to exclusionary policies. Where the scope condition of high protection for insiders exists, material interests should act as an obstacle to positive incentives through the dualization mechanism, and where low protection for insiders exists, material interests should not serve as an inhibiting factor (Rueda, 2007, 147). The fact labour market insiders are not expected to instigate social or labour market policy change when they benefit from the existing system explains these dynamics. Labour market outsiders, on the other hand, should be policy reform protagonists.

A similar argument can be applied to the second worker division, the skilled and unskilled. Empirical evidence shows that skilled workers (workers with high human capital) are negatively correlated with generous redistributive policies (Häusermann et al., 2014, 236). Skilled workers should be unlikely to initiate reforms that do not expand their distributional outcomes as they already benefit from the existing system.²¹ If they have a policy preference, I expect it to be for negative financial incentive policies. On the other hand, based on incentives, rational unskilled workers should have preferences for redistributive social protection. These actors should also have preferences for activation incentives that provide positive financial or human capital incentives such as job subsidies or training. However, this is yet to be confirmed by the literature.

²⁰ Social partners can also act as an obstacle or a facilitating factor through material interests and value-based coalitions respectively (Rueda, 2007; Häusermann, 2010; Bonoli, 2010, 438).

²¹ This advantage can be understood by the fact there has been job expansion for skilled labour (Oesch, 2015), and that individuals can potentially use their skills as insurance and may be better off in a competitive labour market (Häusermann et al., 2014, 236).

Although some researchers have misleadingly aligned the interests of labour market outsiders with unskilled labour in the past, Häusermann et al. demonstrate this is not a given (2014). Individual preferences may be affected by the interaction between worker divisions and levels of education, meaning skilled outsiders can form a cross-pressure group for activation incentives. As the concept of new social risks demonstrates, individual life-course risks are increasingly fragmented. In this context, there is potential for coalitions between groups that have different interests, but similar policy preferences for specific issues.

Existing research provides insight into these preferences. In their analysis on the electoral preferences of welfare reform, Häusermann et al. ask an imperfect question for activation preferences.²² Nevertheless, their research is still useful for understanding skilled-outsiders' interests. They show that high-skilled workers are affected by labour market vulnerabilities. First, as they already have a high level of human capital, these workers should not particularly favour upskilling policies.²³ Second, as they are outsiders, evidence shows they should not favour negative measures (Häusermann et al., 2014, 240). Thus, whereas unskilled outsiders should have a first-order preference for positive incentives (be they financial or human capital, supply or demand), due to their overall lack of social protection and high human capital, skilled outsiders should specifically prefer positive financial incentives.

It is also possible to understand policy preferences according to employer interests. Classically, power resource theory considers employers to have weak-to-negative preferences for programmatic reform or expansion (Korpi, 2006, 171). This is because power resource theory considers conflict lines to manifest themselves around class-based²⁴ distributional outcomes (conflict lines can, however, be based on other dimensions). This can be contrasted with the institutionalist Varieties of Capitalism (VofC) approach that states employers may use the welfare state as a complementary institution to resolve coordination problems.

To respond to VofC literature, power resource theorists have clarified theoretical expectations. Whereas VofC interprets social protection institutions as a complement to zero-sum games, power resource theorists explain that conflicts are not automatically zero-sum

²² As they state, “Regarding preferences for activation, we use a question that asks whether the government should provide a job for everyone who wants one (measured on an 11-point scale), as this variable clearly focuses on employment instead of passively compensating income loss” (Häusermann et al., 2014, 249). However, this only analyzes preferences towards policy instruments such as job creation or job subsidies and not other activation instruments.

²³ Surveys do, however, show that the middle class (which includes high-skilled workers) support public education and childcare.

²⁴ Korpi defines class as, “[...] categories of individuals who share relatively similar positions, or situations, in labor markets and in employment relations” (Korpi, 2006, 174).

games. Positive-sum conflicts are possible when social protection “protagonists” have the power resources to constrain employers. In so doing, they “make actors converge around a strategy of increasing economic growth and productivity, a strategy constraining also labor’s choices” (Korpi, 2006, 181). This means that although employers may not have a “first-order preference” for social protection expansion, they may have lower order preferences for it under the condition of a positive-sum game allowing them to act as consenters (Korpi, 2006, 181). They may also, of course, act as antagonists in different contexts. In the context of labour market activation, employers may not actively fight for enhancements in social protection. But they may consent to policy reforms. Their preferences should be toward negative supply-side financial incentives to enhance the number of individuals seeking employment and positive demand-side financial incentives to reduce the cost of labour. However, employers hiring skilled workers may also have a preference for positive human capital incentives, be they supply- or demand-side.

Now that I have explained employers and worker’s interests, it is necessary to consider how these labour market advantages and disadvantages manifest themselves in partisan preferences.²⁵ Although there has been debate over whether individual cleavages have replaced traditional cleavages in society, authors assert traditional cleavages still exist, if in a weakened state (Häusermann et al., 2015, 204).²⁶ Research shows left-wing political party support has evolved. Although left-wing support has remained relatively stable, the constituencies voting for these parties have changed (Gingrich and Häusermann, 2015, 57). For instance, working-class support – the main group analyzed by power resource theory – for left-wing parties has declined overall. The decline of the working-class in left-wing parties has in part been substituted by support from the middle-class (Gingrich and Häusermann, 2015, 51). Empirical analysis shows that the middle-class (which tends to be high-skilled) shows preferences for social investment and activation in general (Gingrich and Häusermann, 2015, 54).

These analyses have limitations in the sense that human capital investment may include both passive and active policies. Furthermore, the surveys used to test for activation are imperfect as they do not distinguish between the variety of policies subsumed in this term. For these reasons, although these actors can alter coalition formation, I recognize

²⁵ Welfare state classifications such as Chevalier’s provide information on state preferences. For example, I should expect states belonging to encompassing economic citizenship regimes to invest in concrete human capital incentives and states belonging to selective economic citizenship to adopt activation incentives that reduce the cost of labour. However, this does not include partisan preferences.

²⁶ As Häusermann and Kriesi point out; it is also important to consider other potential cleavages, such as cultural cleavages resulting from immigration and increased diversity (2015). This is especially important for social policy and issues of policy provisions for migrants.

that applying empirical evidence to a new typology creates broad expectations. Concretely, research on political parties and activation policy have demonstrated that ALMP instruments and partisan preferences are correlated (Nelson, 2013, 273). Employment assistance and upskilling ALMP are associated to left-wing parties (Bonoli, 2010, 452; Bonoli, 2013, 49). Right-wing parties are associated with workfare-oriented ALMP such as incentive reinforcement and increased conditionality and sanctions (Bonoli, 2010, 452).

These dynamics can be reduced to three hypotheses:

H_{2.0}: Policymaking is a power-based process in which actors attempt to impose their interests.

H_{2.1}: The main lines of conflict for social policy adoption are determined by skill and social protection levels.

H_{2.2}: Party alignment affects activation incentive preferences. Left-wing parties support concrete human capital incentives and right-wing parties support negative supply-side financial incentives.

Now that I have explained potential coalition dynamics, I outline what types of evidentiary signatures may increase the probability these actors form coalitions based on their assumed interests.

2.4.2. *Interest-based evidentiary signatures*

Coalition formation should have multiple evidentiary signatures.²⁷ First, the actors' preferences should align with those explained above. For signs of this, I analyze speeches, electoral platforms, press releases, statements, internal and external documents, and positions taken in debates. Alignment with think tanks or expert reports may also indicate policy preferences. Second, if coalitions are formed, I should determine under what conditions this takes place. For instance, does the final position represent first or second order preferences? Evidence of policy preferences should also be present in the negotiation phase. For instance, social partners may negotiate policies between themselves and with the government. The verbal cues used by actors when explaining negotiations is another important source.

Disqualifying measures for power resource mobilization and partisan preferences include if actors state they have different preferences or remain passive when they should be protagonists or antagonists to a specific policy position. Another example of non-power resource factors influencing policy making would be if an actor with high power resources

²⁷ These are explained in detail in Table A.4 in Annex B.

is unable to adopt their preferred policy or a policy that runs counter to their preferences is adopted.

The power resource and partisan preferences model outlined above highlights actor interests and preferences. This theory presents a more complex understanding of policy-making in the national arena. Nevertheless, endogenous factors are another essential policy-making consideration. I provide a historical institutionalism model to take into account the effects of institutions and policies on activation incentives in the next section.

2.5 Historical Institutionalism

Research shows that ALMP adoption is not associated with welfare state regime type (Bonoli, 2010, 452; Bonoli, 2013, 61-63; Nelson, 2013, 273). Regardless, institutional configurations and policy legacies are important considerations. Research has also shown that endogenous factors are key to understanding the adoption of different activation incentives (Bonoli, 2001; Barbier, 2004; Bonoli, 2013).

Historical institutionalist researchers argue that institutional configurations are an essential factor in determining the likelihood and trajectory of policy change. Pierson argues this when he states “*there is not a single ‘new politics’ of the welfare state, but different politics in different configurations*”²⁸ (Pierson, 2001, 455). To the extent change is possible in these regimes, the expectation is for incremental reform.

2.5.1. Historical institutionalist framework

Historical institutionalist analyses emphasize factors such as constitutional characteristics including the level of government centralization²⁹ and the number of veto points,³⁰ both of which affect a government’s ability to instigate change. Historical institutionalists also explain that programmatic institutions and previously enacted policies constrain the menu of available policy options. These constraints imply policy continuity because adopted institutions have the potential to become causes. The very definition of institutions, as established practices used to affect human behaviour, implies causality runs in both directions (North, 1990, 3). This means each state has policy legacies that represent their policy starting points. These endogenous factors structure social interactions by creating governing rules and altering acceptable policy options for future elected officials (Jacobs, 2009, 98). For instance, in a context of high power concentration unilateral reform is more likely, whereas in the context of weak power concentration inclusive decision making is

²⁸ Italics original.

²⁹ This can be affected by the separation of powers, structure of parliament and the executive, and the electoral system.

³⁰ Veto points are point in which individuals, veto players, have the ability to dismiss a policy. Veto players are therefore individuals must agree on for a proposed policy change for it to take place (Tsebelis, 2002, 12).

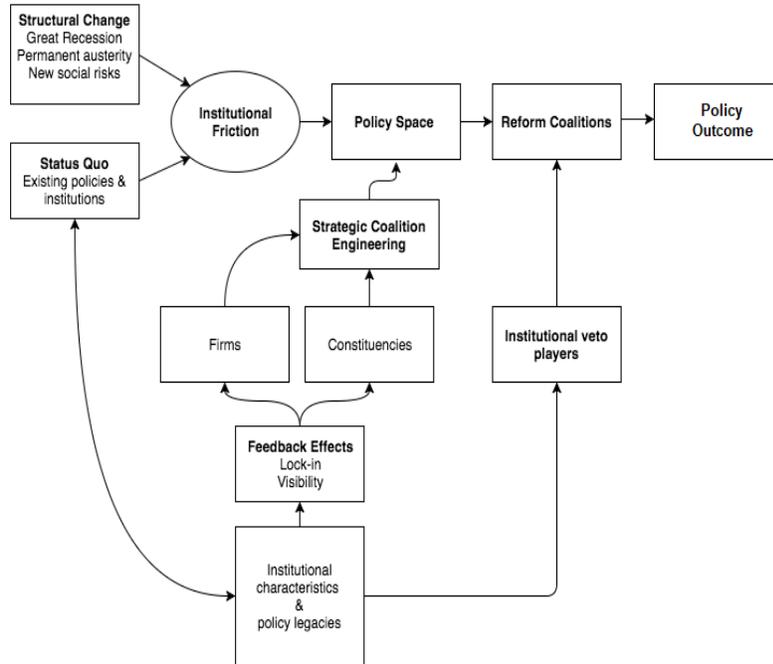


Figure 2.3: Historical Institutional Framework

more likely. However, as broad reforms entail high political visibility, they may also pose a risk of high accountability for governments adopting unpopular reforms. In turn, this visibility implies that, even if a government can enact its preferred policy reform, it may not act for political reasons.

As Figure 2.3 shows, structural changes (including new social risks, permanent austerity and the financial crisis) and the status quo of existing policies and institutions create institutional friction.³¹ Institutional friction is the incompatibility between evolving structures and stable institutions (Häusermann, 2010, 7). More stylistically, friction occurs when “the irresistible forces of post-industrialism meet the immovable object of the welfare state” (Pierson, 1998, 553). This friction opens policy space for change. Within this space, actors adopt strategies for reform. In addition to the modes of change explained in Section 2.1, comparative welfare state researchers have found evidence of retrenchment,³² recalibration,³³ and restructuring.³⁴ To highlight key points in the policy process, I break actors down into firms, constituents, and institutional veto players in Figure 2.3. In the

³¹ A summary of this is visible in Table A.5 in Appendix B.

³² A term used to identify the reduction of social expenses and provisions, retrenchment usually leads to a change in the dynamics between the state, the market, the family, and the community.

³³ Recalibration is a term reserved for the adaptation of existing policy instruments to face new needs (Van Kersbergen and Vis, 2013).

³⁴ Restructuring is a general term for reorganizing social policy benefits and service delivery.

model, firms and constituents are also affected by feedback effects.

Feedback effects have long been considered important in political science. Schattschneider puts it succinctly when he states “New policies create new politics” (1935, 288). As Pierson explains more fully, feedback effects can take multiple forms, but in essence are endogenous factors that affect political behaviour (1993, 596). Feedback effects affect actors (government elites, interest groups and mass publics) through both interpretive and resource mechanisms. For instance, policy elites and interest groups may be affected by interpretive mechanisms leading to policy learning. Feedback mechanisms also affect mass publics. This can be observed through “lock-in” effects and programmatic visibility (Pierson, 1993, 626).

First, lock-in effects can restrain the menu of policy options for governments. This effect occurs when “Policies may create incentives that encourage the emergence of elaborate social and economic networks, greatly increasing the cost of adopting once-possible alternatives and inhibiting exit from a current policy path” (Pierson, 1993, 608). This means lock-in effects can lead to path-dependent trajectories. One way policy legacies have constraining effects on a government’s ability to instigate change is by creating constituencies. As policies allocate resources to sets of individuals, they create incentives for these individuals to support the policy – be they in the form of interest groups or mass publics (Pierson, 1993, 598). These are expressed as firms, borrowing from Varieties of Capitalism literature explained later in this section, and constituencies. Generally speaking, public support for social programs remains high in all welfare regimes. However, this support is “more conditional” in liberal regimes and more clientelistic in conservative regimes relative to social democratic regimes (Pierson, 2001, 433, 446).

Lock-in effects also make timing a critical factor for welfare state modernization. This is because past policies have been found to have crowding out effects (Bonoli, 2013, 66). By this, I mean that past policies may create pressures that further constrain a state’s ability to enact change. Research has shown that existing policies can create economic and political pressures, reducing the likelihood of investment in ALMP (Bonoli, 2010, 438). Fiscal constraints brought on by the financial crisis may exacerbate these effects.

A second important factor is the visibility or traceability of a program or policy. Policymakers can design programs in ways that make them visible or obscure. Due to the fact policies are complex and individuals have limited resources and cognitive abilities to interpret information, it is possible to focus attention on certain aspects and/or hide other aspects of a policy (Simon, 1985; Pierson, 1993, 619-620). Authors explain that

political visibility and blame avoidance are important factors in welfare state restructuring (Pierson, 1994). An example of this is low-cost changes to highly visible programs, also known as affordable credit claiming (Bonoli and Natali, 2012). Meaning that, when an issue is highly visible, political parties may adopt low-cost solutions as an affordable credit-claiming exercise. This mechanism applies to activation incentives.

Although permanent austerity has already constrained welfare states for some years, fiscal austerity in the post-crisis constitutes an additional pressure. Researchers have found that cost-containment has affected levels of social investment (Bouget et al., 2015). As such, ALMPs may be an attractive policy solution as they represent relatively low-cost policy alternatives. According to these assumptions, activation is not so much a result of policy learning as a convenient policy for fiscal reasons.

Varieties of Capitalism theory is part of the new institutionalist framework and provides insight into different actors. Whereas power resource literature explains labour plays a central role in welfare state dynamics, VofC emphasizes the part of the firm. VofC theory is based on the assumption that behaviour in organizations is affected by the strategic interaction between actors, with the firm at the centre of the analysis (Hall and Soskice, 2001, 5). Businesses are actors who seek to develop their capacities for creating, producing, and distributing their goods and services. However, in this pursuit, firms also face multiple coordination obstacles. To overcome this, they must “[...] develop relationships [institutions] to resolve coordination problems central to their core competencies” (Hall and Soskice, 2001, 6-7).³⁵ The way firms resolve coordination problems can be expressed as one of two market economy ideal types: liberal market economies (LME) and coordinated market economies (CME).³⁶

Between these economies, the worker skill-set requirement within a firm is important. Companies that require general skills do not face the same coordination problems that businesses requiring specific skills do. This premise is based on the assumption that a rational individual recognizes the mobility of general skills and will invest in themselves, knowing these skills will inherently pay off even if they must change employment. Rational individuals will not, however, invest in specific skills due to their lack of transferability, which presents insurance problems (Korpi, 2006, 171). In this context of the need for particular skills, firms will use institutions to their advantage. Thus, instead of using

³⁵ Hall and Soskice outline five core relationships: industrial relations (cost or labour, labour force conditions, etc.), vocational education and training (labour supply with proper skills match), corporate governance (investment), inter-firm relations, employees.

³⁶ The former tends to create an equilibrium through market supply and demand, whereas the latter focuses on coordinated strategic relationships between actors (2001, 8).

market-based strategies as in LMEs, they adopt coordination-based strategies (Hall and Soskice, 2001, 8). CMEs, therefore, contain firms that are proponents of specific social programs.

These variables are not expressed in a hypothesis here. However, they are considered more fully within the case chapters. For example, liberal welfare regimes represent LMEs, and corporatist-conservative and social democratic welfare regimes represent CMEs. Furthermore, existing institutional frameworks for education and training are important factors. The existence, or lack-there-of, adequate education and training programs should affect the supply and demand-side of labour, leading to different dynamics between firms and the state.

I form hypotheses on how I expect feedback effects to affect welfare state change. To do so, I use Pierson's (2001) framework for analyzing welfare states in conditions of permanent austerity. Pierson uses a multidimensional framework to consider differences between capitalist welfare state regimes and determine potential directions for reform as well as the likelihood of change. Pierson argues researchers studying welfare state restructuring in an era of permanent austerity should consider three dimensions: recommodification, cost-containment, and recalibration.³⁷ By recommodification, Pierson means policies "to restrict the alternatives to participation in the labour market, either by tightening the eligibility criteria or cutting benefits" (2001, 422). Cost-containment is meant to describe actions "first and foremost with the implications of reform for levels of government expenditure" and describes the relationship between social expenditures and taxation (Pierson, 2001, 423). Recalibration refers to measures that adapt existing policies to current needs. It can come in two forms, rationalization and updating.

"Rationalization involves the modification of programs in line with new ideas about how to achieve established goals. Updating concerns efforts to adapt to changing societal demands and norms—e.g. changes in the household, the life course, the nature of the labour market, or the age composition of societies" (Pierson, 2001, 425)

(Pierson, 2001, 425). Using these dimensions, I present hypotheses for change. I expect cost-containment to affect all three welfare state regimes due to conditions of permanent austerity.

³⁷ I recognize that authors such as Bonoli and Natali have criticized Pierson's three dimensions of change (Bonoli and Natali, 2012, 290). It is true, these dimensions present ambiguities. However, Pierson presents the most comprehensive set of predictions for change by welfare regimes. His hypotheses are, therefore, an appropriate starting point for this analysis.

Social democratic welfare state regimes should prioritize recalibration to ensure they rationalize existing programs. This means that, in this regime, reforms should not change policy objectives; they should merely render the programs more effective (Pierson, 2001, 455). Furthermore, I expect reforms in these regimes to be negotiated and consensual which should lead to incremental change (Pierson, 2001, 455).

Due to interrelated issues in these states, corporatist-conservative welfare state regimes should be the regimes that most require changes and yet also be the most difficult to modify (2001, 446). Priorities should be towards expanding employment via recalibrating programs and cost-containment. Recalibration should focus on updating existing programs to new needs. Pierson specifies that we should not expect retrenchment in these cases and coalitions for reform are crucial (2001, 455).

Liberal welfare states are expected to focus primarily on recommodification and cost-containment. Recommodification should be a priority because liberal welfare state regimes have liberal market economies in which they have “implicitly accepted that the new environment requires larger wage differentials, and, in particular, deteriorating relative wage conditions among the low-skilled” (Pierson, 2001, 435). Consequently, states must alter conditions for benefits and work incentives to ensure that citizens do not exit the labour market.

H_{3.0}: Institutional configurations affect policy change: where change occurs in social democratic welfare state regimes, priorities should be towards rationalized recalibration and cost-containment.

H_{3.1}: Institutional configurations affect policy change: where change occurs in conservative welfare state regimes, priorities should be towards recalibration through updating and cost-containment.

H_{3.2}: Institutional configurations affect policy change: where change occurs in liberal welfare state regimes, priorities should be towards recommodification and cost-containment.

2.5.2. *Historical institutionalist evidentiary signatures*

Evidentiary signatures should show institutional factors limiting policymaker’s options. Where change does occur, it should fit the priorities explained above. For instance, all three cases should be affected by the need for cost-containment. If fiscal constraints are truly a factor, evidence should demonstrate legislative priorities are towards a balanced budget and possibly austerity measures in the post-crisis. To determine if this is the case, I analyze the relative importance of policy priorities. For example, if policy reports recommend investment in human capital, and yet, this element is neglected or missing

from the final policy there is a higher probability that something hindered this aspect. Other evidentiary signatures include unmet electoral promises for funding.

To avoid confusion, process-tracing will determine what policy issues were salient during the period. Proposed policy solutions in reports and reactions to these propositions are also be analyzed. If fiscal constraints are truly affecting policymaking, there should be signs that expensive policy solutions are seen as a continuation of the problem or unfeasible solutions.

To determine whether governments use activation incentives as a low-cost alternative, I analyze media content and electoral preferences. Once again, there must be evidence that the cost of a policy is a significant factor. Discussion on budgetary constraints may be found in political speeches, legislative debates, and media coverage. Furthermore, actors may use metaphors or question how continued spending may affect other policy priorities. To determine whether the government used the policy as credit claiming, I search for evidence in the framing of the policy solution. An example of this would be an attempt to shift blame to previous governments or opponents.

Disqualifying signatures may include if legislative debates and policy proposals do not mention budgets and fiscal constraints. Or, if they are not important aspects of the policy issue. Other disqualifying signatures can be if fiscal constraints are acknowledged and subsequently overridden (i.e., the long-term investment is deemed worth the cost). Moreover, if policy change does not involve the expected dimensions of change, for instance, recalibration or re Commodification, it is possible the case analyzed is not as constrained as expected.

2.6 Conclusion

In this chapter, I presented three analytical frameworks to analyze how welfare states modified their youth transition policies following the financial crisis. Each framework is meant to be distilled to its most pure form. Nevertheless, this is difficult due to the complexity of the policymaking process. For this reason, each framework also specifies areas where they potentially overlap. In the next chapter, I outline the methodology and case selection.

Chapter 3 | Methodology

This dissertation investigates how welfare states modified their youth transition policies since the financial crisis. A large body of research has shown that states follow individual policy trajectories based on existing institutional logics. According to this literature, change should be incremental and path-dependent. Nevertheless, more recent research has shown areas of policy convergence. This research argues states increasingly define unemployment as a structural, not a cyclical issue. It also contends there has been programmatic convergence towards supply-side solutions in the form of activation. Finally, a comparison of ALMP spending since the financial crisis demonstrates that states are investing in similar, low-cost policies.

To investigate how these trends relate to youth transition policies, I initially analyze a population of cases. From these cases, I select three for in-depth qualitative analysis. In this chapter, I outline the methodology for the dissertation. This includes an explanation 1) of the case selection and 2) of the data and methods used.

3.1 Case Selection

This section 1) explains the criteria for case selection. It 2) outlines welfare state variance by explaining how welfare states create different programs. This includes clustering based on the worlds of welfare, transition policy rationales and citizenship regimes. The section then 3) explains other relevant factors for case choice including the severity of youth unemployment and the adoption of youth policies since the financial crisis.

3.1.1. *Case population*

The case selection adopts a Most Different Systems Design (MDSD) within advanced capitalist nations that are members of both the OECD and the EU. In a MDSD, the independent and dependent variables are present in all cases, and additional independent or control variables differ (Przeworski and Teune, 1970, 35). Although the dissertation adopts within-case analysis, this research strategy will ultimately allow for generalizability beyond single cases to the population of similar cases (Beach and Pedersen, 2016, 308).

In this analysis, the exogenous shock of the 2007-08 financial crisis acts as a trigger. The independent variables in the dissertation relate to the theories for social policy change explained in Chapter 2. The dependent variable in the dissertation is youth policy change, operationalized using activation incentives. As a criterion for determining which cases to

include in the sample population, I analyze youth ALMP adoption in the post-crisis. I acknowledge that scholars have warned against case selection on the dependent variable (Geddes, 1990). More recent literature explains this does not necessarily apply to qualitative research, which seeks to determine necessary and sufficient conditions and not the average effect (Goertz and Mahoney, 2012, 179). I would also like to note that all states in the sample adopted youth ALMP in the post-crisis and I did not select cases according to the number of policies adopted or their content. The dependent variable in the analysis is not binary and varies according to the incentive mixes adopted in each case. Finally, one of the theories analyzed, historical institutionalism, expects policy change to be conditional on institutional configurations. To test this, I must compare different welfare state regimes. For these reasons, all cases in the sample population were affected by the financial crisis, are members of the OECD and EU and have adopted for youth ALMP since the financial crisis. Further case selection criteria are explained below.

I select a population of cases according to criteria for advanced capitalist democracies. Based on other analyses, this is to ensure that variables, such as political, social, and institutional stability – which may create an undue variance, are controlled for (Beramendi et al., 2015, 5). Consequently, the analysis only includes countries that have been a democracy for over one generation, have a gross domestic product per capita in 2014 of over \$25, 000, and a population of over 4 million (Beramendi et al., 2015, 4).¹ I also control for the presence of ideational factors by ensuring all cases are members of both the OECD and EU. This is due to the fact the OECD, and the EU have both emphasized the importance of resolving youth unemployment since the late 1990s and especially since the Great Recession. Meaning all cases are members of the same international organizations promoting activation policy ideas.

These criteria leave 11 possible cases: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, the Netherlands, Spain, Sweden and the United Kingdom (UK). To distinguish between these cases, I compare and contrast programmatic features and separate them into clusters. I also analyze issue salience and programmatic change. Using these metrics, I select three cases for qualitative comparison: Denmark, France, and the UK.

3.1.2. State clustering along programmatic factors

Researchers have found that national characteristics affect the content and provision of welfare state and youth programs. These features include institutional, political, socio-economic, and cultural factors. These factors have been used to create heuristic devices to

¹ The World Bank's World Development Indicator Database is used to determine if countries meet these criteria.

Table 3.1: Welfare State Regimes

Social democratic	Denmark, Sweden, and Finland.
Liberal	Ireland, and the United Kingdom.
Conservative	Austria, Belgium, France, Germany, the Netherlands, and Spain.

distinguish between welfare states. In this section, I outline three classifications, welfare state regimes, transition regimes and citizenship regimes, and place the 11 cases within them. These classifications provide the points of departure for the cases. This is necessary to be able to compare and contrast the explanatory power of the three analytical frameworks, especially for testing feedback effects according to historical institutionalism.²

3.1.2.1 *Three worlds of welfare*

The most commonly applied classification across welfare states is Esping-Andersen's three worlds typology. While this classification is based on programs for the general population and not solely for youth, it is a pertinent stepping off point because it allows us to understand broad differences between cases. Furthermore, many researchers use this typology as a reference point in their analyses.

Esping-Andersen quantifies welfare state program decommodification and stratification levels to cluster cases (1990). Although he does not apply the classification to youth policies, both dimensions have important effects on youth. The role of family, for instance, may determine the degree of paternalism in a state and whether or not youth have access to social programs. Qualifying conditions and coverage rates are also important as they determine the redistributive effects these programs have on youth.

First, countries may foster various degrees of dependence on the market, family relationships or government programs. This dependence is evaluated by comparing qualifying conditions for programs as well as coverage and replacement rates (Scruggs and Allan, 2006, 57-58). Second, stratification effects are analyzed to determine the logic of social relationships within states (Scruggs and Allan, 2008, 4-5). For example, some states preserve traditional status differentials such as social hierarchies including religion and family. Others replace these hierarchies with market differentials or universal programs. These factors lead to the well-known clustering of social democratic, liberal, and corporatist-conservative welfare state regimes. All cases are categorized by welfare regime type, in Table 3.1.

Social democratic regimes are known to provide elevated levels of social protection though

² I recognize these classifications are primarily based on path-dependent arguments. However, I use these tools as a heuristic device to separate the cases into least-likely cases of convergence according to how youth transition policy should be modified in the post-crisis.

universalistic programs (Van Kersbergen and Vis, 2013, 66). This protection leads to high decommodification, meaning the state alleviates dependence on the market for subsistence. Countries that fall in this regime clustering also tend to have higher levels of unionization than other welfare states. Denmark, Finland, and Sweden are classified as social-democratic regimes in the sample population.

The liberal welfare state regime is characterized by strict benefit conditions and unregulated labour markets. Traditionally, governments provide benefits to targeted groups who are subjected to means-testing (Van Kersbergen and Vis, 2013, 64). Countries in this regime category tend to have low unionization levels and capital participation in labour market programs. The liberal regime also has low decommodification levels and mid stratification effects (Esping-Andersen, 1990). Post-industrial employment in this regime is known to create a dual structure in which both quality and junk jobs coexist (Van Kersbergen and Vis, 2013, 65). Ireland and the UK qualify as liberal welfare state regimes.

The corporatist-conservative regime, also sometimes referred to as the Bismarckian regime, has been described as lacking “[...] the liberal obsession with market efficiency” (Esping-Andersen, 1990, 27). Alternatively, it provides social rights predicated on status differentials created through employment. Precisely, countries that cluster in this regime tend to provide social protection through earnings-based insurance schemes according to past contributions (Barbier, 2004, 66; Palier, 2008, 108). This insurance component is meant to be a solution to the arbitrary nature of social assistance to ensure stability and predictability (Palier, 2005a, 67-68). However, status-based benefit schemes may also create adverse stratification effects based on occupation type (Esping-Andersen, 1990, 24; Van Kersbergen and Vis, 2013, 64). Of the 11 cases, Austria, Belgium, France, Germany, the Netherlands, and Spain³ are all corporatist-conservative regimes.

Since the original classification, based on data from the 1980s, welfare states have undergone substantial changes. Modifications include retrenchment and increased benefit conditionality by linking social protection to labour market integration. Analyses have also critiqued and revised the three worlds classification (Orloff, 1993; Ferrera, 1996; Galie and Paugam, 2000), attempted to replicate it and shown how states have evolved along these dimensions over time (Scruggs and Allan, 2006, 2008).

For this dissertation, I expand beyond the three worlds of welfare capitalism and explain other factors used to differentiate welfare states based on programmatic approaches to

³ In other analyses, Spain is sometimes placed in a fourth welfare state regime alternative called the Southern European, Mediterranean or sub-protective welfare state regime.

youth issues. First, I illustrate different approaches to transition policies. Second, I look at how different citizenship regimes affect youth's access to benefits.

3.1.2.2 Youth transition regimes

Youth are a heterogeneous population with varying needs. In spite of these differences, scholars have been able to identify institutional strategies for youth employment (Walther, 2006; Van de Velde, 2008; Chevalier, 2015a). Comparing transition policies is one means of classifying and comparing these approaches. As a general concept, transitional labour markets are meant to incite policymakers to use institutional regulations and policies to smooth labour market transitions (Brzinsky-Fay, 2010, 2). Transition regimes are an indicator of what policies exist for youth during this life stage.

One of the most comprehensive transition regime classifications is Walther's typology (2006). Walther argues transition regimes vary according to socio-economic, institutional and cultural factors. He adopts a modified version of Esping-Andersen's welfare state typology by including education and training as well as employment structures (Walther, 2006, 125). In so doing, he argues states cluster according to four rationales for managing youth transitions: universalistic, employment-centred, liberal and sub-protective. I have reproduced these regimes and the factors used to distinguish between them on the following page in Table 3.2.

The universalistic transition regime, which includes Denmark, Sweden and Finland, has a comprehensive education system that creates multiple routes to higher education and allows flexibility for individual choice. The welfare state typically provides youth access to social assistance as of the age of 18. It also provides allowances for in youth education or training. Allocations are individual and not based on family status. Finally, employment is open, and guidance is institutionalized throughout youth transitions into education or employment.

According to this typology, Ireland and the UK are liberal transition regimes. In the liberal regime, primary and secondary education is comprehensive. Youth may also access social benefits as of the age of 18. However, benefit levels are low, and reciprocity is usually conditional on active labour search. Moreover, there are few programs for families. As Walther explains, individual rights and responsibilities are valued, and youth are encouraged to enter the labour market rapidly (2006, 127). Employment access is open because the labour market is typically quite flexible.

The employment-centred transition regime, to which Austria, Germany, France, the Nether-

Table 3.2: Youth Transition Regimes

Dimension ^a	Dimensions of 'support'				Criteria of 'success'					
Regime	Country	School	Training	Social security	Employment regime	Female employment	Focus of transition policies	Public expenditure for education, families and children & ALMP	Concept of youth	Concept of disadvantage
<i>Universalsitic</i>	Denmark Finland Sweden ^b	Not selective	Flexible standards	State	Open Low risks	High	Education Activation	DK: 7,8/3,7/1,0 FI: 5,9/2,9/0,7	Personal development, citizenship status	Individualized and structure-related
<i>Employment-centred</i>	Austria Germany France Netherlands Belgium ^c	Selective	High standards (dual) (mixed)	State/family	Closed risks at the margin	Medium	(Pre-) vocational training	A: 5,4/2,7/0,5 D: 4,5/2,8/0,5 F: 5,6/2,5/0,7 NL: 5,3/1,6/0,7	Socialization for occupational /social positions	Individualized
<i>Liberal</i>	Ireland UK Spain	Principally not selective	Low standards (mixed)	State/family	Open High risks	High	Employability	IE: 4,9/2,6/0,5 UK: 5,4/1,5/0,1	Early economic independence	Individualized
<i>Sub-protective</i>		Not selective	Low standards and coverage (school)	Family	Closed High risks	Low	'Any status' education (work, or training)	ES: 4,3/1,3/0,6	Without distinct status	Structure-related

^a The table is adapted from Walther, Stauber, Pohl 2013.

^b Not part of the original analysis. Completed using MISSOC and CEDEFOP data.

^c Not part of the original analysis. Completed using MISSOC and CEDEFOP data.

lands, and Belgium belong, has selective schooling with tracking into vocational-based or apprenticeship schemes at a young age. Labour markets are closed, usually as a product of segmentation and dualization. This dualization creates a protected core of workers as well as vulnerable workers. Due to Bismarckian legacies of contributions-based programs, youth in these countries often do not qualify for unemployment benefits. Walther explains that programs for youth in these countries tend to compensate socialization rather than qualification issues (2006, 128).

The sub-protective transition regime also has a comprehensive lower education. Youth have little-to-no access to social benefits and family plays an essential redistributive role. Youth unemployment is high and precarious and informal work is standard. Spain is the only country in the sample that falls in this regime category.

Walther's regime classification traces large differences between states according to education, social protection, the labour market and problem definition. This classification mostly maintains Esping-Andersen's distinctions – except for the fourth, sub-protective, regime type. Walther's classification shows that educational systems, social security and employment regimes are critical components to understanding different approaches to youth transition. He also demonstrates that cases treat youth transitions quite differently according to how they conceptualize youth and disadvantage. Before selecting the cases for in-depth qualitative analysis, I complement Walther's classification with a classification of youth citizenship regimes in the next subsection.

3.1.2.3 *Youth citizenship regimes*

A complementary means of identifying policy differences is by analyzing youth's access to citizenship within welfare states. Chevalier, a political scientist, argues that youth's access to financial independence differs according to how social and economic citizenship are defined (2015b). This classification expands upon Walther's explanation of access to benefits and education systems by distinguishing between supply- and demand-side strategies for youth employment.

The author first argues social citizenship (access to income) is either familial or individualized (Chevalier, 2015b, 4). The former is commonly associated with Bismarckian welfare states and treats youth as dependents. These countries usually provide low access to social protection, most of which is through family policies, and full benefit access is only available at a late age (often 25-years-old). The latter represents Beveridgean welfare states and provides social protection according to individual, rather than familial situation. Just as Walther's typology, this immediately divides liberal and universal cases from

Table 3.3: Youth Citizenship Regimes

	Selective economic citizenship	Encompassing economic citizenship
Individualized social citizenship	<i>Second-class youth citizenship</i> UK, Ireland	<i>Enabling youth citizenship</i> Sweden, Finland, Denmark, Netherlands
Familialized social citizenship	<i>Denied youth citizenship</i> Spain, France, Belgium	<i>Monitored youth citizenship</i> Germany, Austria

employment-centred and sub-protective ones.

Chevalier then analyzes youth's ease of access to the labour market through the concept of economic citizenship, used to refer to skill formation (2015b, 5). This leads to two overall strategies: encompassing and selective. These strategies are similar to Walther's school and training factors. However, in Chevalier's typology, policy orientation is also considered. States with encompassing strategies provide general skills through comprehensive education. They furthermore tend to adopt supply-side labour market strategies that invest in human capital. The selective strategy creates a segmented and elitist education. In these cases, youth having difficulty integrating the labour market are not usually provided with further training. Instead, these states favour demand-side policies that reduce the cost of labour. This is particularly relevant in segmented labour markets where wages for protected workers are high, and youth are perceived as a less productive segment of the working population.

These factors create a fourfold classification in which I have placed the 11 cases in Table 3.3. As the table shows, France and the Netherlands are classified into different regimes in Walther's and Chevalier's typology. This difference is explained by the fact the underlying logic of policy orientation is taken into consideration. According to this typology, I should expect Austria, Denmark, Finland, Germany, the Netherlands, and Sweden to invest in human capital whereas Belgium, France, Ireland, Spain, and the UK should create policies to reduce the cost of labour. Now that I can distinguish the starting points for each case, the next section continues explaining case section criteria including by comparing unemployment rates.

3.1.3. Youth unemployment rates

Case selection is partially based on the presence of policy problems linked to deindustrialization and new social risks as a necessary precondition to the adoption of active social policies (Bonoli, 2013, 49). I also check for issue salience by analyzing the importance of youth unemployment over the period. Figure 3.1 shows the harmonized unemployment

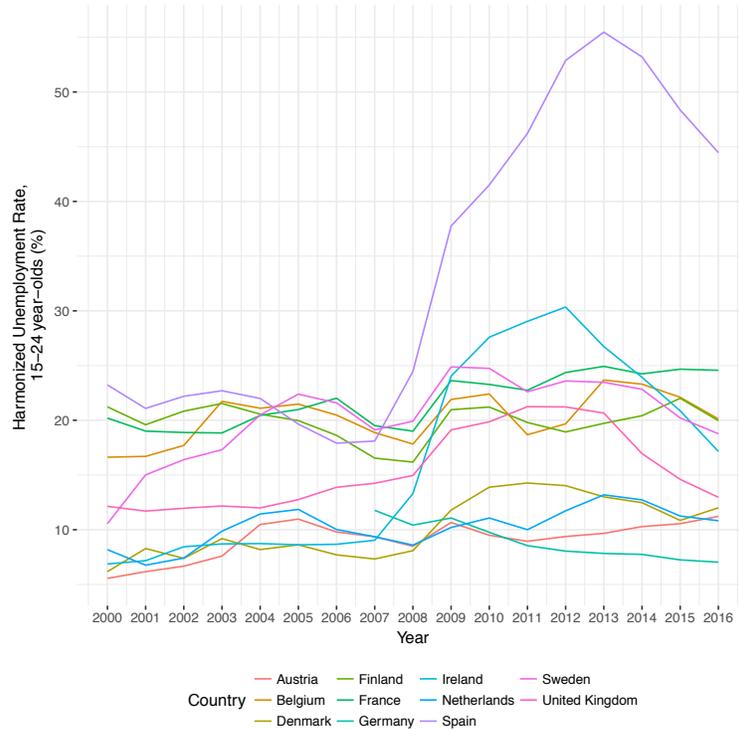


Figure 3.1: Youth Unemployment Rate (2005-2016)

rate⁴ for 15 to 24-year-olds in each case during the period of investigation.⁵ This is to provide a snapshot of unemployment rates prior to the crisis, during the crisis and throughout the rest of the period.

Despite the exogenous shock of the financial crisis, youth unemployment rates still vary greatly across nations. The figure shows that in all 11 cases the harmonized youth unemployment rate for 15 to 24-year-olds increased from 2008 to 2009. In Germany and the Netherlands, rates increased by less than 2%, whereas in Austria, Belgium, Denmark, Finland, France, Sweden and the UK they rose by 3% or over. Ireland and Spain present more extreme cases with youth unemployment rising by more than 10% within a year.

Situations have also changed over time. Between 2005 and 2016, only four states (Belgium, Germany, the Netherlands and Sweden) managed to reduce their youth unemployment rates to levels lower than the those leading up to the crisis. Variance within cases also differs. Austria is the only country to have less than 3% variation overall during the

⁴ As the OECD explains, this indicator uses the OECD's definition rather than national definitions for unemployment. The OECD defines unemployment as "people of working age who are without work, are available for work, and have taken specific steps to find work" (OECD, 2017). I use the harmonized rate to improve comparability between cases.

⁵ Data taken from OECD Database, <http://stats.oecd.org/>, May 18th 2017.

period. The Netherlands and Germany had a change of under 5%. France, Finland and Belgium had an overall variance of under 6%. In Sweden and Denmark unemployment varied by under 7%. The United Kingdom's variation was 8.5% Ireland, and Spain both had vast spreads of approximately 22% and 38% respectively.

Optimal cases should have had a substantial and sustained increase in youth unemployment levels. These factors are to avoid both low salience and extreme cases. In each case, youth unemployment was a salient issue during the period. That being said, Austria, Germany and the Netherlands present less pressing salience whereas, in both Ireland and Spain, the problem was drastic. These criteria leaves six intermediate cases: Belgium, Denmark, Finland, France, Sweden, and the UK.

3.1.4. Policy change

The final criteria for case choice is the presence of policy change during the period. To determine this, I use the European Commission's Labour Market Reforms (LABREF) database. The LABREF database tabulates active labour market policy (ALMP) reforms for youth under the category "Special schemes for youth" (2017b). This policy category is defined as

"measures related to apprenticeships and schemes encompassing a mix of measures directed at the youth, often providing counselling, training and subsidies, e.g. youth guarantees; excluding measures that cover participation of young people to measures open to adults as well"

(European Commission, 2014a, 4). Although this is a broad indicator, it does allow us to gauge policy activity.⁶

The database covers the period from 2000 to 2014, allowing for the analysis of the number of policies adopted in the seven years before and after the financial crisis. Within the sample population, 20 such reform measures were enacted between 2000 and 2007. Since the crisis, that is between 2008 and 2014,⁷ a total of 53 such measures have been adopted (DG EMPL, 2017b). Although there has been an increase in the overall number of ALMP for youth, the database shows variation between countries, as visible in Table 3.4. Except for Germany, where unemployment levels did not rise dramatically, governments adopted more policies for youth after the crisis than leading up to it in all cases.

⁶ This indicator does not include all policies youth qualify for, to investigate this I analyze spending trends in Chapter 4.

⁷ 2014 is the most recent year in the database.

Table 3.4: Special Schemes for Youth Adopted 2000-2014

Country	2000-2007	2008-2014
Austria	3	5
Belgium	2	7
Denmark	2	6
Finland	2	6
France	3	5
Germany	1	1
Ireland	0	2
Netherlands	0	1
Spain	1	3
Sweden	3	5
United Kingdom	3	12

3.1.5. Case choice

Table 3.5, visible on the next page, summarizes the differences between all of the potential cases. According to the criteria explained, Belgium, Denmark, Finland, France, Sweden and the UK are all viable cases for qualitative analysis. Each of these countries had sustained high youth unemployment rates following the financial crisis and adopted numerous youth ALMP reforms.

Among these cases, three have been selected: Denmark, France, and the United Kingdom. They are highlighted in grey in Table 3.5. Each of them represents a different regime in all three welfare state classifications.⁸ Additionally, Table 3.6 provides detailed youth unemployment rates in all three cases.⁹ Despite their differences, all three cases have adopted labour market policies for youth since the Great Recession. Moreover, two of these cases (Denmark and France) were analyzed by Bengtsson et al. and have been found to be adopting employment assistance and incentive reinforcement-type ALMP in the post-crisis (2017).¹⁰

Now that case selection has been adequately described, I explain methodology and data collection in the next section.

3.2 Methodology

The dissertation uses three analytical frameworks to investigate how welfare states have modified their youth policies since the financial crisis. To test factors from each welfare

⁸ The sub-protective transition regime and the monitored youth citizenship regime are not represented. Due to the time and resource constraints, only three cases have been selected for qualitative analysis. Spain is the only case that fulfills these regime criteria. Youth unemployment in Spain shows extreme variance not suitable for comparison here.

⁹ This is to demonstrate that youth unemployment was a consistent problem pressure during the period of analysis.

¹⁰ The UK was not part of this analysis, one reason for this may have been that there is no ALMP expenditure data for the UK beyond 2011.

Table 3.5: Overall Comparison of Case Population

Country	Welfare State Type	Capitalism Orientation ^a	Transition Regime ^b	Citizenship Regime ^c	Youth ALMP Adopted Since Crisis	Youth Unemployment Variation
Austria	Corporate-conservative	*Status	Employment-centred ^d	Monitored Youth Citizenship	6	3%
Belgium	Corporate-conservative	*Status	Employment-centred	Denied Youth Citizenship	7	6%***
Denmark	Social-democratic	Equality	Universalistic	Enabling Youth Citizenship	6	7%
Finland	Social-democratic	*Equality	Universalistic	Enabling Youth Citizenship	6	6%
France	Corporate-conservative	Status	Employment-centred	Denied Youth Citizenship	5	6 %
Germany	Corporate-conservative	Status	Employment-centred	Monitored Youth Citizenship	1	5%**
Ireland	Liberal	*Competitiveness	Liberal	Second-Class Youth Citizenship	2	22%
Netherlands	Corporate-conservative/ Social-democratic	Status	Employment-centred	Enabling Youth Citizenship	1	5%**
Spain	Corporate-conservative	Capture	Sub-protective	Denied Youth Citizenship	3	38%
Sweden	Social-democratic	Equality	*Universalistic	Enabling Youth Citizenship	5	7%**
United Kingdom	Liberal	Competitiveness	Liberal	Second-Class Youth Citizenship	12	9%

^a Taken from Beramendi et al. 2016.

^b Taken from Walther et al. 2013

^c Taken from Chevalier 2016.

^d Asterisks are for countries not included in original analyses.

^e The double asterisk is for states whose unemployment rate in 2016 is lower than 2007.

Table 3.6: Youth Harmonized Unemployment Rates for Case Countries (2008-2016)

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016
Denmark ^a	8.08%	11.79%	13.88%	14.27%	14.03%	13%	12.47%	10.85%	12%
France	19%	23.62%	23.28%	22.74%	24.37%	24.93%	24.24%	24.67%	24.57%
United Kingdom	14.96%	19.12%	19.86%	21.24%	21.22%	20.66%	16.95%	14.6%	12.96%

^a Unemployment rates are rounded to the second decimal.

state modernization theory, I adopt a comparative method using process-tracing. This method is chosen to account for complex causality.

I use process-tracing and evidentiary signatures to investigate the adoption of activation incentives. Evidentiary signatures are pieces of evidence used in process-tracing to test whether it is more or less probable that a causal mechanism is present. Beach and Ped-

ersen explain four types of evidence: pattern, sequence, trace and account (2013). First, pattern evidence “relates to predictions of statistical patterns in the evidence” (Beach and Pedersen, 2013, 99). Second, sequence evidence “deals with the temporal and spatial chronology of events predicted by the hypothesized causal mechanism” (Beach and Pedersen, 2013, 99). Third, trace evidence means a piece of information that, by its existence, provides proof that the hypothesized causal mechanism exists. Fourth, account evidence is explained by Beach and Pedersen to mean evidence that provides “content of empirical material” (2013, 100). Consequently, each hypothesized mechanism also includes potential observations that can be turned into pieces of evidence that should be found to determine whether or not the mechanism was indeed present in each case.

There are many types of process-tracing. For this dissertation, I adopt a systematic process analysis type of process-tracing. I explain this in the next section.

3.2.1. Systematic process analysis

The dissertation will adopt a comparative method for all three case studies through qualitative deductive process-tracing. I adopt the qualitative method of process-tracing for three reasons.

First, many analyses of ALMP that include the post-crisis period use quantitative or mixed methods and focus on spending levels (Bonoli, 2013; Nelson, 2013; Huber and Stephens, 2015). Although these analyses provide insight into the determinants of ALMP, they are unable to distinguish the outcome levels of benefit conditionality and sanctions. They cannot do this because altering incentives does not necessarily affect spending figures (Bonoli, 2013, 33). As explained in chapter 5, I argue additional information is necessary to understand change.

Second, it is necessary to move beyond quantitative data because it is incomplete. ALMP data available from the OECD and European Commission’s Social Expenditure Database (SOCX) (the most extensive database on activation) does not extend beyond 2013. It also does not distinguish between general and youth activation policies. Furthermore, analyses that do cover labour market changes using qualitative data provide more general descriptions of changes and do not focus on youth ALMP. While activation policies are part of labour market trends and ALMP implicitly target youth, they are not always the intended policy target and not necessarily qualify for these initiatives. For these reasons, I argue a more fine-grained qualitative analysis is necessary to overcome these shortcomings. The dissertation will, therefore, act as a companion to existing ALMP literature (Bennett and Elman, 2006, 458).

Third, process-tracing is a method that allows for the consideration of complex causality due to interaction effects. This makes this method especially appropriate for this dissertation because all three of modernization theories considered here include notions of strategic interaction or temporality and therefore require such in-depth qualitative analyses.

For these reasons, I use process-tracing to create theory-based hypotheses and test them with empirical data. Processes-tracing is commonly adopted in comparative welfare state literature and is useful for overcoming limits of the small sample sizes found in qualitative analysis (Trampusch and Palier, 2016, 13-14). It can be defined “[...] as a method aiming to identify or test hypotheses on causal mechanisms to compensate for weaknesses in correlational analysis” (Trampusch and Palier, 2016, 5). That being said, process-tracing is not one coherent method (Beach and Pedersen, 2013, 9). There are various methods of process-tracing, and there are many debates about how best to apply these techniques. As the dissertation aims for a comparative analysis of three theories, I adopt Hall’s process-tracing known as systematic process analysis.

One reason for this choice of methods is because it allows for the consideration of complex causality including strategic interaction and path dependence. Hall explains that “In short, systematic process analysis examines the processes unfolding in the cases at hand as well as the outcomes in those cases” (2003, 393). Thus, cases are a series of observations and predictions are deductively developed from theory and may include actor’s actions and motivations as well as the sequence of events (Hall, 2003, 394-396).

Strategic interaction, for instance, explains policy outcomes as the result of “chains of choices” (Hall, 2003, 382). In this analysis, power resources and partisan preferences explain that social partners and their interests can mitigate party effects. Temporality is also an important consideration. For instance, diffusion presupposes that an actor first creates a policy before another actor can adopt it. Historical institutionalism, furthermore, explains the notion path dependence, which describes how key early developments can have an effect much later in the causal chain (Hall, 2003, 382; Bennett and Elman, 2006, 464). As the financial crisis represents an exogenous shock, which according to historical institutionalism could represent a critical juncture leading to change, temporality is necessary to account for the contingent nature of events. Finally, to ensure I have a long enough period to comprehend the macro-situation (initial policy trajectories) and to allow for policy change since the financial crises the chosen timeline is from 2008 to 2016 (Pierson, 2003).

Systematic process analysis requires a clear conceptualization of the theories under study.

First, one must choose relevant arguments to discern relevant variables to explain the outcome. Second, predictions must be deduced based on the selected theory (Hall, 2006, 27). These predictions should be falsifiable. Third, using cases, one must observe the empirical reality. Hall explains that relevant observations include events, their sequence, and actions taken by theoretically relevant actors (Hall, 2006, 28). Thus the goal is to create predictions and to determine the observed patterns follow these predictions.

Now that I have thoroughly described my methods, I explain the sources and data used in the dissertation in the following section.

3.3 Sources and Data

Primary sources for the dissertation include policy reports and legislative documents as well as expert interviews. What follows is an overview of the corpus of documents.

First, the OECD and the EU are valuable sources of data. The OECD also publishes country and thematic reports. These are used to identify policy change and content. The EU is a particularly useful source as it publishes country reports and provides specific recommendations for member states. Furthermore, the EU has funded the Strategic Transitions For Youth Labour in Europe (STYLE) research project. STYLE is a project that analyzes “the obstacles and opportunities affecting youth employment in Europe” (European Commission, 2016d, 1). The project is divided according to “work packages”. Many of these overlap with active labour market policies. This research project is used as a source of information to determine relevant policies in each case. Although the dissertation is mainly qualitative, I also use quantitative databases for additional information. The OECD and EU also share databases. For instance, the LABREF and SOCX databases are used to identify policy change and spending patterns.

Once I have ascertained relevant policies for analysis, I proceed to the second step of analyzing national documents. This step includes legislative documents and reports. In each case study, governments have adopted several youth initiatives. I also analyze legislative documents, debates, and government reports to determine the content of these policies. Party manifestos and communiqués from social partners are also analyzed. Manifestos from rival parties in each state can be accessed from the Manifesto Project Database and political party’s official websites. Social partner documents can be found on their respective websites.

Third, the data gathering process includes conducting semi-structured interviews with key actors. These interviews serve to determine the discussions and alternatives considered during the policy-making process. A list of interviews and interviewees for each case can

be found after the Bibliography under the title: List of Interviews. To gather data, I spent a minimum of two months in each case country doing field research and building a network to access the most knowledgeable actors. I also applied for and received the necessary ethics certificate¹¹ from the *Comité d'éthique de la recherche en arts et sciences de l'Université de Montréal*.

I began the interview process by identifying a list of relevant actors in the policymaking process within each case to create a comprehensive, non-biased sample. This sample includes political actors, social partners, civil servants, stakeholders, and organizations working on youth issues. I then communicated with these actors to request an interview. I met those who responded positively to an in-person interview lasting between 45 to 90 minutes. Additionally, at the end of each meeting, I requested further individuals to contact. In this way, I partially used snowball sampling to include as many actors with knowledge of the policy process as possible. All interviews were recorded and transcribed. I also corresponded and spoke over the phone with interview candidates who could not meet me in person. In total, I conducted 26 interviews with 28 individuals. I had correspondence with five individuals.

3.4 Conclusion

Now that I have explained case selection, methods and data, in the next chapter I provide a general comparison of all 11 cases in the sample population. In so doing, I highlight variation between cases. This variation leads me to argue that it is necessary to create a typology to be able to compare the policies adopted within and between cases. To accomplish this, I conceptualize activation policy mixes through the notion of incentives to join the labour market. I present this activation incentive typology in Chapter 5. Chapters 6, 7, and 8 represent the substantive research portion of the dissertation.

¹¹ Certificate number: CERAS-2016-17-144-D

Chapter 4 | Case Population Comparative Analysis

Thus far, I have mainly explained welfare state and activation dynamics. However, the dissertation focuses more specifically on youth transition policies, especially activation. Youth issues are cross-sectoral, and the classifications presented in Chapter 2 provide a general understanding of dominant trends between cases. The importance of large-scale national patterns notwithstanding, these classifications are static. Moreover, I do not aim to analyze the welfare state's effects on youth transitions and individual biographies in this dissertation. Neither do I examine education policies. I specifically analyze the activation incentives adopted in the post-crisis to transition youth into the labour market. With the objective of providing a more detailed understanding of youth's access to welfare state policies and programs between states, this chapter compares and contrasts a sample population of 11 advanced capitalist welfare states. It also underscores the variation of youth policies and the need for a typology to classify activation coherently within each case study. This comparison is also necessary to understand the generalizability of the policy mixes found in the case analyses in Chapters 6, 7, and 8 to the rest of the sample population.

The chapter is divided as follows. I begin by 1) comparing youth entitlements. This comparison is accomplished by describing benefit access and conditions for social and employment policies in each case. This includes access to social assistance (SA), unemployment insurance (UI), and unemployment benefits (UB). In this section, I also explain different levels of policy conditionality. Once I have contextualized youth entitlements in each case, I present more dynamic indicators of policy change. 2) I compare labour market policy (LMP) expenditures and participation rates to determine the relevant policy areas and the direction of policy change. This includes both active and passive labour market spending. Finally, I 3) present data on ALMP schemes for youth adopted since the financial crisis. In this section, I additionally compare the content of adopted policies. In so doing, I argue that it is necessary to find alternative means for analyzing policies. I contend that identifying and comparing activation incentives adopted by welfare states is the best means of overcoming data constraints and existing limitations in activation literature.

4.1 Youth Entitlement Levels

Youth issues are heterogeneous, and solutions include educational, social, and labour market policies. This naturally leads to a wide array of public and social policies. Although youth may benefit from a variety of measures, this dissertation analyzes social and labour market policies. A first means of comparison is the level of access to benefit entitlements. Identifying entitlements highlights which rights youth have during this transition period, otherwise understood as their access to social citizenship, in each case.

Benefit entitlements during the school-to-work transition and the transition from unemployment to employment vary from case to case. Criteria for admission to unemployment benefits and social assistance include age requirements, work experience and contributions to insurance funds, means-testing, and educational attainment. To understand the basic provisions available to youth in all 11 cases, I compare access to benefit entitlements for social assistance (SA), unemployment insurance (UI), and unemployment benefits (UB).

Scholars have used the distinction between universal, limited and *de facto* no entitlements to differentiate between cases in the past (Pohl and Walther, 2007). All of the cases in the sample population fall into either universal (Denmark, Finland, Ireland, the Netherlands, Sweden, UK) or limited (Austria, Belgium, France, Germany, Spain) entitlement categories. The term universal entitlements is used to describe cases in which youth are full-citizens and may receive welfare benefits regardless of parental income (Pohl and Walther, 2007, 541). Limited entitlements apply to cases where benefits are attached to past contributions and/or family income (Pohl and Walther, 2007, 541). While entitlement categories provide a point of reference, variance exists within these broad categories.

In the following subsections, I classify states according to the entitlement category. The tables are colour coded to facilitate comprehension. Grey represents universal entitlement cases, and white is used for limited entitlement cases. The subsection also includes an explanation of benefit access conditions. This includes additional conditions such as educational attainment and work requirements. Tables 4.1, 4.2, and 4.3 outline key factors for benefit reciprocity in all 11 cases.¹

4.1.1. *Benefit access in the school-to-work transition*

I first compare social assistance (SA) access. I do this because youth in the school-to-work transition usually do not qualify for unemployment benefits as they do not fulfill the

¹ Tables A.2 and A.1, visible in Appendix A, provide a more detailed qualitative comparison of benefit conditions for youth during these two transitions.

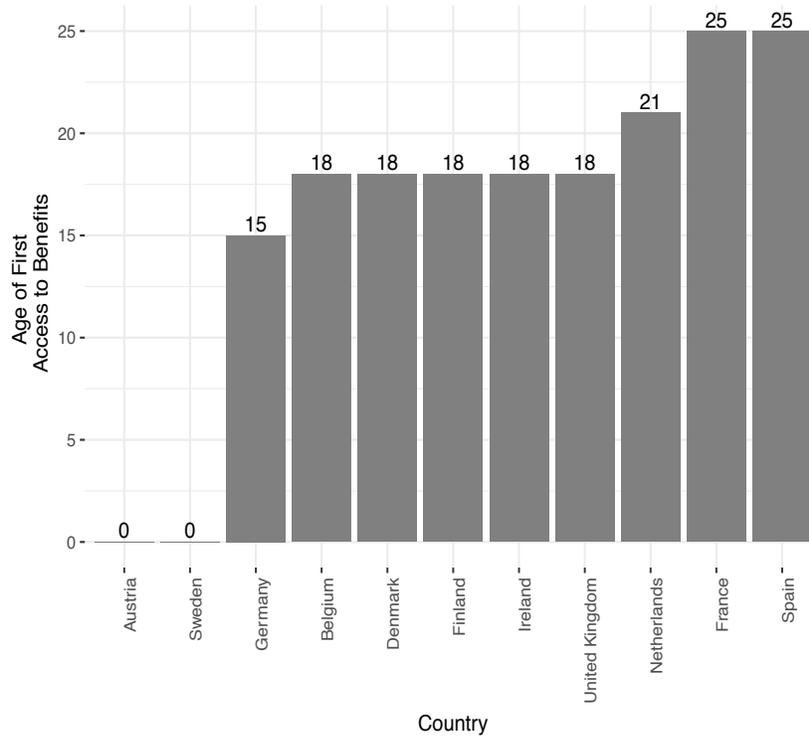


Figure 4.1: Minimal Age to Access Social Assistance Benefit

necessary work requirements. Table 4.1 provides a comparison of SA access and benefit requirements. Youth in all 11 cases may qualify for SA. However, these are often means-tested programs, and conditions are stringent.

First, the age at which individuals may qualify for SA varies. As Figure 4.1 shows, the age requirement ranges from none to 25-years-of-age. Austria and Sweden have no specified age for benefit recipiency, and the UK has the low age requirement of 16. In Belgium, Denmark, Finland and Ireland one must be at least 18-years-of-age to qualify. The Netherlands stipulates a minimum age of 21. France and Spain both have the highest age requirement at 25-years-of-age.²

Second, states control access to SA through means-testing, educational attainment, and family situation. Table 4.1³ outlines these requirements. These programs are all means-tested. Meaning youth, as other individuals, must prove they lack resources (this may include income and investments) to qualify. Means-testing can be based on individual

² In France, younger individuals may qualify for social assistance if they fulfill work requirements. In Spain, age varies according to the region.

³ Data comes from Benefits and Wages Data, OECD 2014; and EU “Your Rights, Country By Country” Fiches, 2016 (<http://ec.europa.eu/social/main.jsp?catId=858>).

or familial income. As the table shows, cases stay true to their universal and limited entitlement classifications.

Although most universal entitlement countries provide youth entitlements, youth benefit levels also vary according to two additional factors: education and age. Denmark, Ireland, the Netherlands, Sweden, and the UK all reduce benefits for younger claimants. There are additional education requirements in Denmark, Finland, and the Netherlands. In these cases, individuals who have not completed the required education are given student allowances (which have different benefit rates and conditions) instead of SA. Benefit entitlements in the Netherlands goes against its entitlement classification as SA entitlements are based on family income until the age of 21.

Contrary to universal entitlement countries, countries that provide limited entitlements traditionally calculate benefit reciprocity according to family income. In all limited entitlement cases in Table 4.1 except Austria, SA is calculated based on family income until the age of 25.⁴ Germany is the only limited entitlement case that has education requirements. Just as the cases above, individuals in Germany who have not completed the required education are provided with student allowances. Finally, regardless of entitlement category, age requirements are relaxed in most cases to ensure that youth with dependents or who are lone parents may either qualify earlier or receive a more generous stipend.

Table 4.1: Social Assistance Entitlements

Country	Social Assistance ⁵
Denmark	Means-tested benefit varies according to age with 18 to 24-year-olds receiving less. Individuals under the age of 30 without education are transferred to student grants. ⁶
Finland	Means-tested social assistance is available to individuals over the age of 18. However, assistance may also be reduced if an 18 to 24-year-old person without vocational education refuses to participate in education or drops out of education.
Ireland	Means-tested Supplementary Welfare Allowance is available for individuals as of the age of 18. Unless they have dependents, individuals under 25 receive lower rates (the age categories are 18 to 19, 20 to 21, and 22 to 24-years-of-age).

⁴ That is, unless these individuals have dependents.

⁵ Data from Benefits and Wages Data, OECD 2014; and EU “Your Rights, Country By Country” Fiches, 2016 (<http://ec.europa.eu/social/main.jsp?catId=858>).

⁶ Source: Danish Ministry of Employment, 2013.

Netherlands	Young people until 27-years-of-age are deemed to be in work or education, and there is a four week waiting period in which these claimants must look for work or education before they are entitled to social benefits. The benefit claim is refused if the claimant has opportunities in the regular education system. Except for special circumstances, individuals under the age of 21 are defined as dependents and must rely on family support. Individuals must be 20-years-of-age or older or have dependents to qualify for the means-tested benefit.
Sweden	There are no age requirements for means-tested social assistance. Rates are lower for individuals under 29-years-of-age without dependents.
United Kingdom	Individuals may qualify for means-tested social assistance as of the age of 16. Rates are lower for individuals under the age of 24 unless they are lone parents.
Austria	No age requirement specified. Means-tested minimum income is available with rates varying according to the family situation. There are no age criteria.
Belgium	Means-tested benefit (<i>Revenu de moyens d'existence et d'intégration</i>) available for individuals over 18 or with dependents. Family credit (<i>Allocation Familiale Garantie</i>) available for families with children up to the age of 18, this is extended to the age of 25 if they are in education.
France	Individuals under the age of 25 may qualify for social assistance (<i>revenu de solidarité active</i>) if they are pregnant, have one or more dependent children, or prove they have worked a predefined legal amount of hours, 3600 or two of the last three years.
Germany	The unemployment benefit and social assistance are combined into a single benefit, the jobseeker's allowance. Individuals may qualify for the means-tested benefit as of the age of 15, but must be immediately placed in a job or education. Individuals under the age of 25 are considered dependents. ⁷ They, therefore, qualify for family credits for education and extra-curricular activity.
Spain	The age to qualify for means-tested social assistance varies by region. In most regions individuals under the age of 25 without dependents may not qualify. However, some regions accept individuals as of 18 years-of-age.

4.1.2. *Benefit access in the unemployment-to-employment transition*

Youth in the transition to stable employment, that is, from unemployment or precarious employment to stable employment, may also have access to unemployment insurance (UI) and unemployment benefits (UB) depending on the state they reside in.

Table 4.2 shows that, in all 11 cases, youth may qualify for UI. Age requirements between cases range from no age requirement to 18-years-of-age. Meaning, UI requirements vary

⁷ Except in cases of serious social issues.

less than SA requirements. Although some instances have no or low age requirements, it is important to note that labour laws still regulate the minimum age to join the labour force. As such, in most cases, it would be theoretically impossible for youth to qualify for UI before the ages of 16 or 17. Finally, Denmark and Finland have additional education requirements for youth to obtain UI.

Regardless of entitlement category, universal or limited, in all cases, youth must fulfill either a predetermined amount of work hours or be members or employment insurance funds or both to qualify for UI. For example, in four of the six universal entitlement cases (Denmark, Finland, the Netherlands and Sweden), youth must be members of insurance funds to obtain entitlements.

Table 4.2: Unemployment Insurance Entitlements

Country	Unemployment Insurance ⁸
Denmark	Individuals 18-years-of-age and older must fulfill 1,924 hours of full-time work within the last three years. Graduates having joined the unemployment insurance funds immediately after graduating may receive 82% of the maximum unemployment benefit per week. Individuals under the age of 25 without sufficient education to qualify for “graduate rights” may receive 50% of the maximum unemployment benefit, per week.
Finland	Individuals over the age of 17 who have 26 weeks of work (minimum of 18 hours per week) in the last 28 months and are actively seeking full-time work. Individuals between the ages of 17 and 24 must apply for vocational training unless they have already graduated such a program to qualify for UI.
Ireland	Individuals may qualify for UI, Jobseeker’s Benefit as of the age of 16 if they meet contributions requirements. However, individuals under 18-years-of-age are entitled to 156 days or 26 weeks only. If they reach the age 18 on or before the expiry of 156 days, they are entitled to UI for up to 312 days from the original date of claim.
Netherlands	There are no age requirements. The working requirement is 52 days or more during four of the past five years to receive UI after three months. Although a supplementary benefit exists, unmarried individuals under 21 living with their parents and married or unmarried individuals born after 1971 without young children may not qualify.
Sweden	No age requirement specified. Members of insurance funds may qualify if they have worked at least six months (at least 80 hours per month) during the last 12 months or 480 hours during a continuous period of six months (at least 50 hours work every month).

⁸ Data from Benefits and Wages Data, OECD 2014; and EU “Your Rights, Country By Country” Fiches, 2016 (<http://ec.europa.eu/social/main.jsp?catId=858>).

United Kingdom	Individuals aged 16 and over are eligible to claim the contributions-based Jobseeker's Allowance. However, if they are under 17-years-of-age, they are unlikely to have paid enough contributions to qualify. Rates are lower for individuals under the age of 24 unless they are lone parents.
Austria	No age requirement specified. Individuals under the age of 25 must fulfill a 26-week employment record in the last 12 months to qualify for UI benefits.
Belgium	Individuals between the ages of 18 and 36 must fulfill a 312-day employment record in the last 18 months to qualify for UI benefits.
France	Members of insurance funds aged 16 and over may receive UI if they have worked 122 days of 610 hours over the past 28 months.
Germany	No age requirement specified. Individuals must fulfill a 12-month employment and contribution requirements to qualify for UI benefits.
Spain	Individuals may qualify for UI as of the age of 16 if they have contributed to UI for a minimum of 360 days over the past six years preceding.

Certain states also have unemployment benefits as a complement to unemployment insurance. As Table 4.3 shows, UB is not available for youth in all 11 cases. Four cases, Belgium, Denmark, Netherlands, Germany, either do not provide such measures for the general population or combine them with SA. One country, Spain, explicitly prohibits youth from UB. The six remaining cases, Austria, Finland, France, Ireland, Sweden and the UK, provide means-tested UB for individuals who have exhausted UI. Meaning that youth must first meet work and other conditions to qualify for UI, and then drain the benefits before UB becomes an option.

Of the six universal entitlement cases, Finland, Ireland, Sweden and the UK, provide lower benefit levels for younger claimants. Sweden also prohibits individuals under 20-years-of-age from receiving UB. The other two cases, Denmark and the Netherlands, do not provide UB. Finland and Ireland also have education requirements. Among the five limited entitlement cases, only Austria and France provide UB. Austria has the same conditions as UI. France has a previous work requirement.

Table 4.3: Unemployment Benefit Entitlements

Country	Access to Unemployment Benefits ⁹
Denmark	None.
Finland	Labor market subsidy (<i>Työmarkkinatuki</i>) for individuals having exhausted UI and first-time labour market entrants over the age of 17. Individuals between the ages of 17 and 24 must apply for vocational training unless they have already graduated such a program to qualify.
Ireland	Individuals 18 and over may qualify for means-tested unemployment benefits, Jobseeker's Allowance, if they have exhausted UI. Rates are lower for younger age categories. Ireland distinguishes between 18 to 21 and 22 to 24-year-olds.
Netherlands	None.
Sweden	Social assistance is not available for persons aged 18 to 19. Individuals 20-years-of-age and older may qualify if they meet employment conditions. They must be fit for work and able to take a suitable job for at least three hours per day and an average of 17 hours per week.
United Kingdom	Individuals may qualify for the income-based Jobseeker's Allowance as of the age of 18. ¹⁰ Rates are lower for individuals under the age of 24 unless they are lone parents.
Austria	Means-tested unemployment benefits (<i>Notstandshilfe</i>) are available once UI has been exhausted. Meaning the individual must qualify for UI first. There are no special conditions for youth.
Belgium	None.
France	Theoretically not possible for individuals before 21-years-of-age. Means-tested benefit for individuals who prove they have worked five of the past ten years.
Germany	See Table 4.1.
Spain	Youth without dependents may not qualify. ¹¹ However, families may support their children until the age of 25.

4.1.3. Benefit conditionality

As Chapter 1 outlined, mutual obligations are increasingly present in welfare states. One indication of this is the presence or absence of work requirements for benefit reciprocity. Table 4.4 presents this for 11 cases. In each case country, at least one benefit has a work search condition. Work conditions are particularly evident for UI. Only Austria and the Netherlands do not have any. Although not all cases provide UB, a majority of those who do also have work requirements. A little over half of the cases have work requirements for

⁹ Data from Benefits and Wages Data, OECD 2014; and EU "Your Rights, Country By Country" Fiches, 2016 (<http://ec.europa.eu/social/main.jsp?catId=858>).

¹⁰ In special circumstances, 16 and 17-year-olds may qualify.

¹¹ Only individuals over the age of 45 without dependents qualify.

Table 4.4: Work Requirements as a Condition for Entitlements

Country ^a	Unemployment Benefits	Unemployment Insurance	Social Assistance
Austria	-	-	-
Belgium	•	NA	-
Denmark	•	NA	•
Finland	•	•	• ^b
France	•	-	•
Germany	•	•	-
Ireland	•	•	-
Netherlands	-	NA	•
Spain	•	•	•
Sweden	•	•	•
United Kingdom	•	•	-

^a Data from EU “Your Rights, Country By Country” Fiches, 2016 (<http://ec.europa.eu/social/main.jsp?catId=858>).

Legend:

- indicates no work condition

• indicates individual must available for work and/or actively seeking work

^b While there are no work search requirements stipulated, sanctions apply (benefits may be reduced) if a recipient refuses a job, education or activating measures.

SA reciprocity.¹²

These comparisons provide a more detailed understanding of what general programs youth are entitled to while in the transition from school-to-work and to stable employment. They also highlight some of the variation found between cases belonging to similar entitlement categories and demonstrate that other factors are important for benefit entitlements. For example, in addition to work requirements education requirements are present Denmark, Finland, Ireland, Germany and the Netherlands.

While these tables provide information, they represent static indicators. They also include information on general programs and do not include schemes targeted directly at youth. In the next section, I compare policy change since the crisis through labour market policy spending and participation rates. I subsequently analyze the number and content of youth ALMP schemes adopted before and after the crisis.

4.2 Expenditures and Participation Rates

This section compares labour market policy (LMP) expenditures to determine the overall direction of welfare state spending. Expenditures are commonly used to determine if there has been expansion, retrenchment or stability. The figures below include all LMP spending and are not limited to youth policies. As a result, they only provide a general overview of

¹² Finland does not have a work requirement, but it can sanction SA recipients who refuse work.

each case. I first outline the database’s categories and programs. Subsequently, I compare spending in LMP categories and ALMP programs over time. I then compare participation rates in each welfare state over time to determine if there was a change since the financial crisis.

4.2.1. LMP expenditures and participation rates

The data used in this section comes from the OECD and European Commission’s Social Expenditure Database (SOCX). The SOCX divides LMP into three main categories: services, measures and supports. Labour market policy services are defined as “labour market interventions where the main activity of participants is job-search related and where participation usually does not result in a change in labour market status” (DG EMPL, 2017a). This includes public employment services (PES) and other publicly funded services for job seekers. The second category, LMP measures, are programs that apply to individuals that have changed labour market status – meaning into unemployment – and whose primary activity is not job-search. These measures include training, employment incentives, job-rotation and sharing,¹³ supported employment and rehabilitation, direct job creation, and start-up incentives. These two categories are considered ALMP. The third category, labour market policy supports, is defined as financial support for individuals disadvantaged in the labour market. These are regarded as passive labour market policies (PLMP) and include out-of-work income maintenance and early retirement schemes.¹⁴

First, I compare overall spending between LMP categories. The data in Figure 4.2, on the next page, compares LMP services and measures (ALMP) with LMP supports (PLMP). 2007 is used as a reference year because it is the closest date before the crisis and the rise in unemployment. Labour market policy spending varies from country to country. That being said, there are similarities between countries. As Figure 4.2 shows, except for Denmark, spending on ALMP was under 1% of GDP in all cases. The UK spends the least on ALMP with only 0.3% of GDP invested in these programs. Expenditures spent on PLMP were relatively more important than ALMP spending in all cases except Sweden and the UK.

Second, I analyze ALMP by comparing different programs. When I explore ALMP more in-depth, I see differences in the types of spending between countries. This is visible in Figure 4.3. The ALMP programs that received the most funding are as follows. Supported employment and rehabilitation received over 0.4% of GDP in Denmark and the Nether-

¹³ Although the OECD did eventually merge this with employment incentives, the data I use still includes this program. I, therefore, include it in the figures.

¹⁴ These statistics are all expressed in percentage of Gross Domestic Product (GDP).

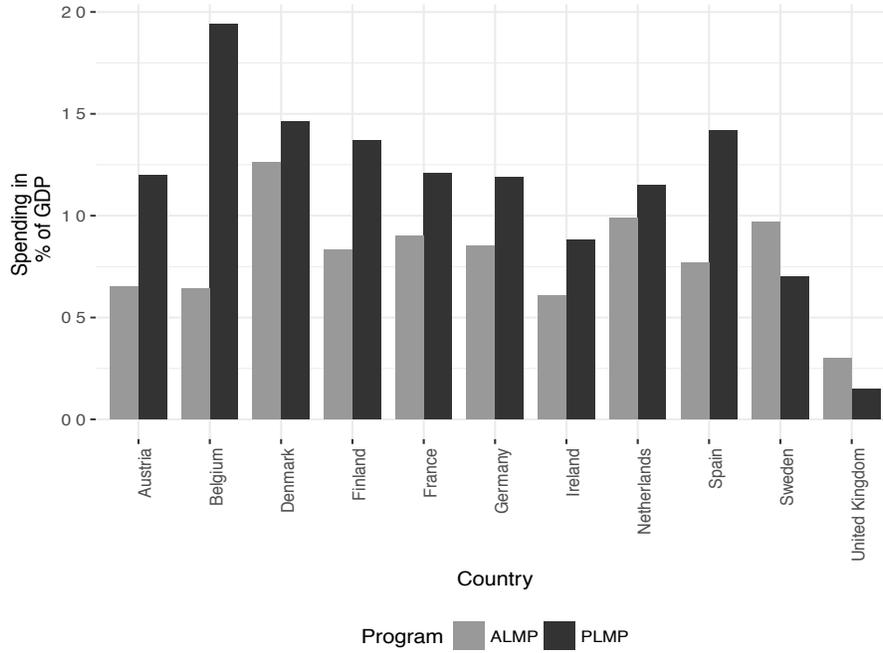


Figure 4.2: Passive and Active Labour Market Spending (2007)

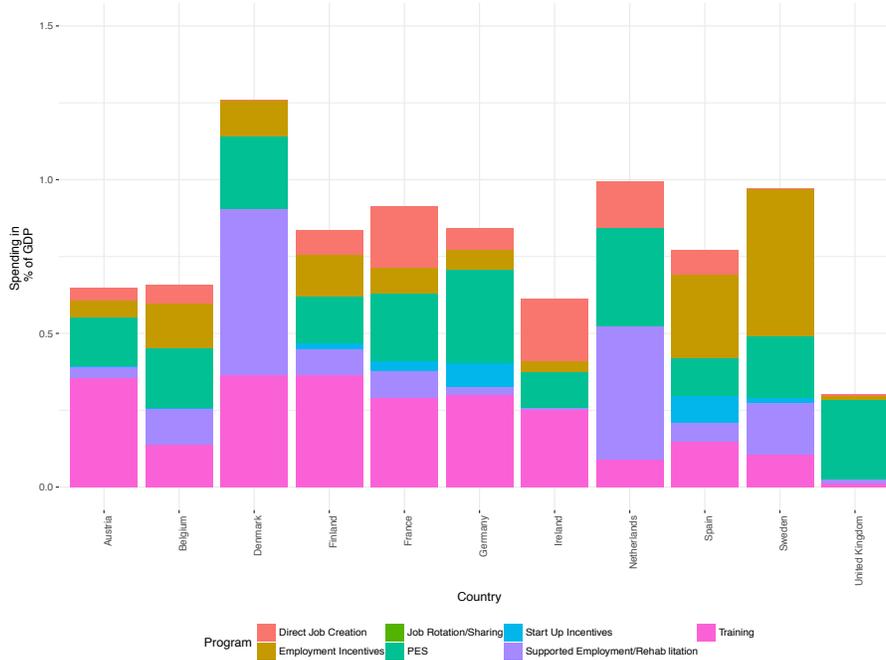


Figure 4.3: Active Labour Market Spending by Program (2007)

lands. Sweden spent over 0.4% of GDP on employment incentives. Training received over 0.3% of GDP in Denmark, Finland, Austria and Germany. Public employment services

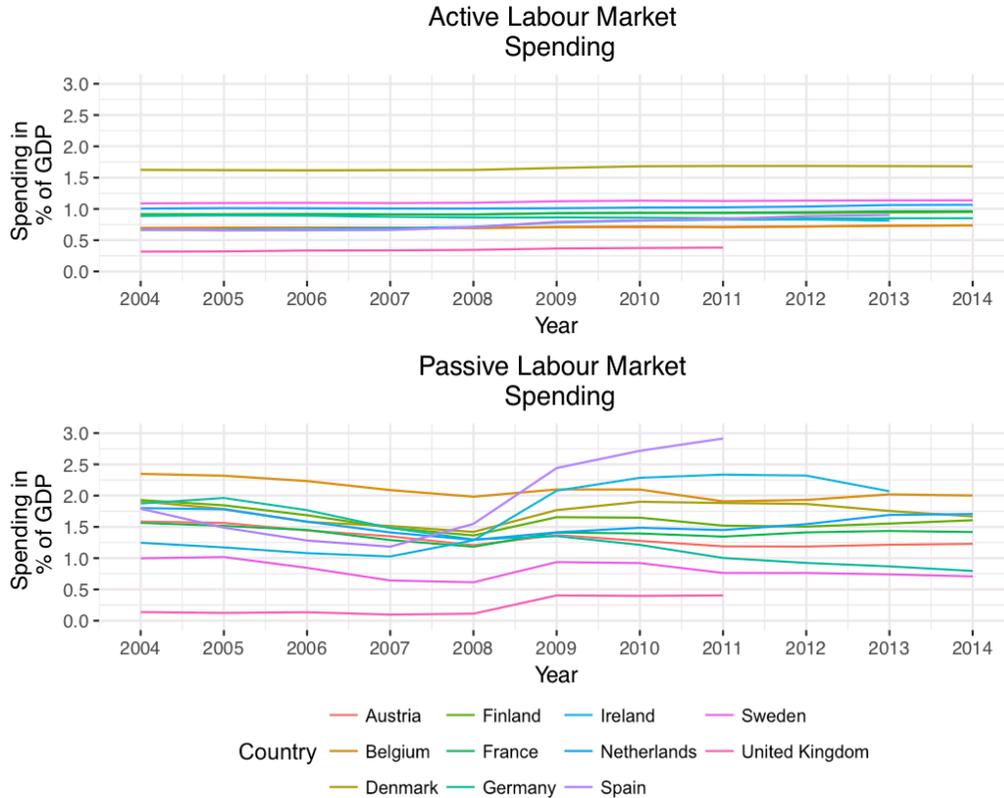


Figure 4.4: Labour Market Spending (2004-2014)

(PES) received over 0.2% of GDP in Denmark, France, the Netherlands, Germany, Sweden and the UK. This demonstrates that welfare states have a range of activation strategies. To understand this requires a means of disentangling these policies. I explain this further in Chapter 5.

The data in Figure 4.2 and 4.3 maintain expected variation between countries. For example, in his comparison of activation trends, Bonoli explains that social democratic welfare states spend most on ALMP, corporate-conservative welfare states spend less, and liberal welfare states spend the least (2013, 31). There are, of course, caveats to this generalization. An illustration of this is the important variation visible within the corporatist-conservative regime cluster. France, for example, outspends some social democratic regimes. What is more, although, liberal welfare states spend least on ALMP, that is only part of the story. As Bonoli makes clear, this does not mean liberal regimes do not have activation policies, simply that they adopt low-cost activation measures (2013, 31).

Moving beyond static indicators, Figure 4.4 compares expenditures for both passive and

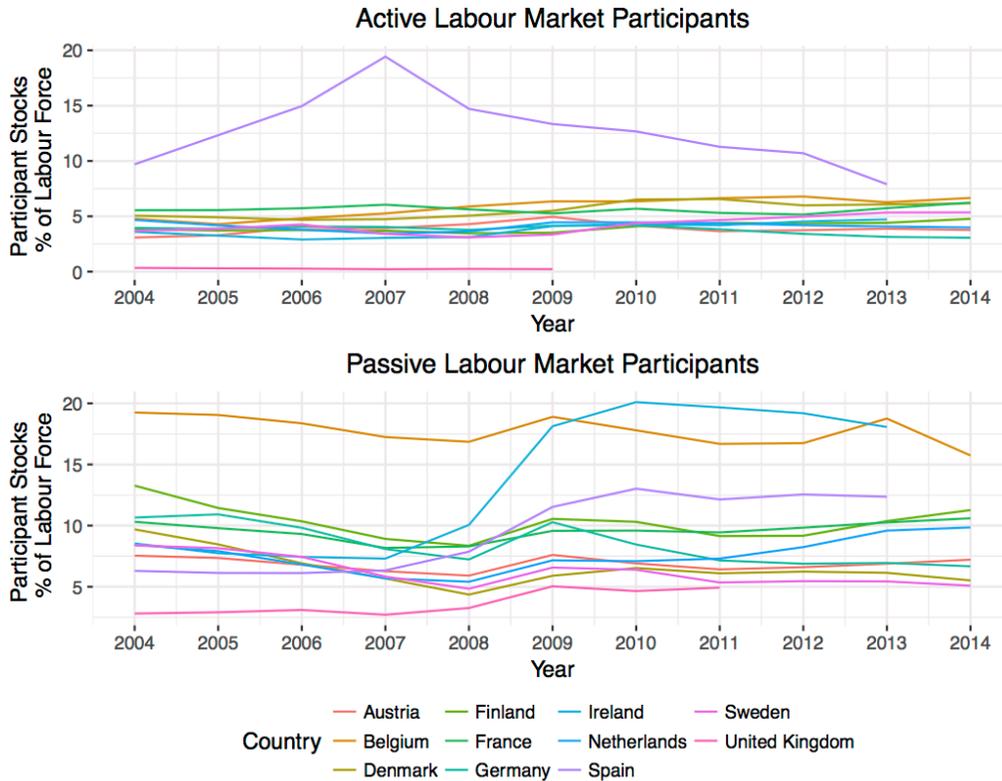


Figure 4.5: LMP Participant Stocks (2004-2014)

active labour market policies from 2004 to 2014.¹⁵ To ensure that changes in spending aren't merely due to an increase in the number of benefit claimants, spending is controlled using the OECD's harmonized unemployment rate. To determine if changes in spending are due to GDP growing more slowly or declining (because LMP expenditures are a public spending to GDP ratio), I also control for GDP.

These adjusted rates show that spending between cases continues to diverge. Whereas ALMP spending is almost entirely flat, PLMP spending shows more variation. With the notable exceptions of Spain and Ireland, expenditures did not rise dramatically following the crisis. In Germany, passive expenditures decreased over the period. This table further confirms that, although evidence shows that states have adopted youth ALMP in the post-crisis, this has not necessarily had a substantial impact on overall ALMP spending.

In addition to analyzing LMP spending over time, it is also possible determine changes in the number of participants for these programs by looking at participant stocks. To do so, I use OECD data on the number of individuals receiving LMP benefits. Figure 4.5

¹⁵ This represents the most up-to-date data available. Data is only available for the UK from 2004 to 2011.

shows aggregate trends in participant stocks as a percentage of the total labour force for ALMP and PLMP from 2004 to 2014. Active labour market participation remained flat between 2.5% and 5% of the labour force in most cases. In Spain, there was an important increase in 2007 to 19.3% of the labour force. This increase eventually subsided. The UK maintained very low participation rates of approximately 0.3% during the period of analysis. The stocks of passive labour market benefit recipients rose following the financial crisis. Ireland, Belgium, and Spain had the largest increases in participant stocks with 19.67%, 19.25%, and 13.02% respectively. However, youth represents a small segment of the labour force which means that this figure does not provide specific information on changes in their participation rates over time.

This lack of information is explained by the fact that, although expenditure data allows me to trace broad patterns between states, the SOCX database does not provide an indicator to distinguish between general LMP and youth LMP. This means that while LMP programs may include youth, the SOCX database gives no data on youth-specific schemes. What is more, much of the LMP data visible in the tables and figures above does not apply to youth. For example, PLMP include early retirement schemes. The available quantitative data is therefore incomplete.

Comparing expenditures shows that states have favoured similar ALMP strategies in the post-crisis while maintaining their national tendencies. Despite the lack of change in overall ALMP spending and participation over the period, researchers have investigated ALMP programs in depth and found similar trends among welfare states since the financial crisis. A study of eight EU member states, including five of the cases (Denmark, France, Germany, Spain and Sweden) demonstrates employment assistance ALMP spending increased relative to other ALMP spending types since the financial crisis (Bengtsson et al., 2017). The study also shows that employment incentives, as measured by analyzing country reforms and using low and/or declining LMP spending as an indicator, are a standard tool for the cases examined.

These trends may lead some to believe there has been no significant policy change since the financial crisis. As previous research has shown, there has not been a massive investment in human capital policies since the crisis. However, spending is only one part of the picture. Bumps in expenditures can represent a wide array of policies (such as short-term investments to counteract the cyclical effects of the crisis). Also, policy changes such as incentives to join the labour market may not have substantial impacts on spending and may be especially challenging to find if spending is already low.

The next section analyzes youth ALMP change since the financial crisis. Rather than replicate existing quantitative analyses on LMP spending (Huo et al., 2008; Vlandas, 2011; Bonoli, 2013), I analyze the policies using qualitative analysis to gain a more fine-grained understanding of the situation.

4.3 Policy Adoption

The European Commission’s Labour Market Reforms (LABREF) database tabulates ALMP reforms for youth under the category “Special schemes for youth” (2017b). This policy category is defined as

“measures related to apprenticeships and schemes encompassing a mix of measures directed at the youth [sic], often providing counselling, training and subsidies, e.g. youth guarantees; excluding measures that cover participation of young people to measures open to adults as well”

(European Commission, 2014a, 4). Although this is a broad indicator, it is complementary to ALMP expenditures and allows me to gauge the level of policy activity.

The database covers the period from 2000 to 2014, allowing for the analysis of the policies adopted in the seven years before and after the financial crisis. Within the sample population of 11 welfare states, 20 schemes were adopted between 2000 and 2007. Since the crisis, that is between 2008 and 2014,¹⁶ a total of 53 such schemes have been adopted (DG EMPL, 2017b). Although there has been an increase in the overall number of ALMP measure for youth, the database demonstrates important variation between measures, visible in Tables 4.5 and 4.6 on the following page.

Table 4.5: Special Schemes for Youth Adopted 2000-2007

Country	2000-2007	Education Scheme	Employment Scheme	Youth Guarantee	Employer Scheme
Austria	3	2	-	-	1
Belgium	2	1	-	-	1
Denmark	2	2	-	-	-
Finland	2	-	2	-	-
France	3	2	1	-	-
Germany	1	1	-	-	-
Ireland	0	-	-	-	-
Netherlands	0	-	-	-	-
Spain	1	-	1	-	-
Sweden	3	1	1	1	-
United Kingdom	3	3	-	-	-
Total	20	12	5	1	2

¹⁶ 2014 is the most recent available data.

Table 4.6: Special Schemes for Youth Adopted 2008-2014

Country	2008-2014	Education Measure	Employment Measure	Youth Guarantee	Employer Measure
Austria	5	4	1	-	-
Belgium	7	2	5	-	-
Denmark	6	3	3	-	-
Finland	6	5	-	1	-
France	5	2	2	1	-
Germany	1	-	1	-	-
Ireland	2	1 ^a	1	-	-
Netherlands	1	-	1	-	-
Spain	3	1	1	-	1
Sweden	5	4 ^b	1	-	-
United Kingdom	12	7	3 ^c	-	2
Total	53	29	19	2	3

^a This was a decrease.

^b One of these measures was a decrease.

^c One of these measures was a decrease.

These tables show how many special schemes for youth were adopted in the seven years leading to the crisis and the seven years following the crisis as well as the types of measures adopted. Except for Germany – where unemployment levels did not rise dramatically – in all cases, more youth ALMP were adopted following the crisis than leading to it. Considering the impact of the financial crisis on youth, this is to be expected. The LABREF database categorizes nearly all of the measures adopted as increases. In three instances the ALMP passed represent decreases. I identify these in Table 4.6’s footnotes.

The LABREF database also includes policy titles and descriptions for each scheme. I use this to classify the measures into one of four categories: education schemes (including VET, apprenticeships and internships), youth employment schemes (this may include packages of measures to stimulate employment through various activation measures), youth guarantees (while this may include elements of both youth education and employment measures, the term youth guarantee is used in the database) and employer schemes (measures that strictly target employers and may include grants, a reduction in social contributions or regulations for hiring youth). It is important to highlight the database contains a wide array of measures and this is a highly imperfect means of comparing these policies. It is only meant to give an initial idea of overall policy priorities.

Table 4.5 shows that of the 20 policies adopted during this period, education schemes accounted for over half of them. One-quarter of these policies were employment schemes. Youth guarantees and employer schemes were marginal. Table 4.6 shows that education

schemes remained a priority with once again well over half of the ALMP adopted affecting education. However, the proportion of employment schemes increased to a little over one third. Youth guarantees and employer schemes remained marginal. Finally, social democratic, corporatist-conservative, and liberal welfare regimes adopted mixes of all these policies with no one type showing a clear trend.

While this descriptive section provides a better understanding of what policies were adopted since the financial crisis, it does not truly compare policies. Moreover, many of these ALMP contain similar measures. For example, all four types may refer to ALMP that fund education or employment take-up. This comparison also provides little information about the conditions associated with these measures. To summarize, the LABREF database – as the other data included in this chapter – provides some information and guidance but does not include all policies that affect youth, only ALMP that strictly affect youth. The next chapter corrects this by creating a typology for policy instruments to compare youth activation incentives in the post-crisis. I apply this typology to the three cases using qualitative data.

4.4 Conclusion

This chapter has illustrated how states provide different entitlements and access to social and unemployment programs. Moreover, expenditure data shows little change in overall spending trajectories across welfare states since the financial crisis. Researchers have, however, found that relative spending on ALMP programs since the crisis has changed with states emphasizing incentive reinforcement and employment incentives. What is more, states have adopted various youth ALMP schemes since the crisis.

Comparisons of benefits and expenditures provide a deeper understanding of general trends between states. Nevertheless, none of the indicators presented above provide enough information to compare the policies for youth adopted in each state adequately. Nor is it possible to determine whether or not change has occurred, and if so, how. To truly understand policy change in the post-crisis requires in-depth case analysis. I argue analyzing policy instruments provides a better understanding of national strategies for youth in the post-crisis. With this objective in mind, the next chapter elaborates a typology for conceptualizing youth policy incentives before the within-case analysis of policy change between 2008 and 2016 in Denmark, France, and the United Kingdom.

Chapter 5 | Activation Incentive Typology

Youth are a heterogeneous group that face structural and cyclical obstacles in the transition to economic independence. They are especially vulnerable during two key transitions to economic independence: the school-to-work transition and the transition to stable employment. The financial crisis and Great Recession have increased difficulties associated with these transitions. These factors have made youth a salient policy category, and governments have adopted new policies to address these issues. However, before comparing these policies it is necessary to conceptualize them.

Policy tools theorists explain it is useful to think of policies in terms of instrument mixes. This conception is helpful because, as the political scientists Howlett and Rayner explain, “most existing policy arrangements or regimes have developed incrementally in an ad hoc fashion over a relatively long period of time and contain a wide mix of policy instruments” (2007, 1). Analyzing instrument mixes is pertinent to activation because these policies have existed for decades and have been introduced various ways to address different labour market and social protection issues. Concerning youth, countries have adopted a variety of policies to accelerate and smooth the transition to employment, as explained in Chapters 3 and 4. These measures include elements of education, social protection and labour market policy.

Analyzing policy mixes has the added benefit of making it easier to identify second-order change. That is to say, a change in policy instruments, but not in overall policy goals (Hall, 1993, 278). I analyze second-order change because research indicates that, although states may have different starting points and practices, since the early 1990s they share the objective of adopting low-cost policies that enforce mutual obligations (Bonoli, 2013). That is to say, countries have adopted policies to reinforce work incentives and eliminate barriers to the labour market. As explained, scholars have continued to analyze the overarching content of these policies since the financial crisis to compare between neoliberal and human capital activation orientations. Using quantitative and qualitative data researchers have determined states continue to adopt activation measures that encourage labour market entry and skills marketing rather than investing in more costly initiatives that invest in human capital (Bengtsson et al., 2017). These findings suggest welfare states share common activation objectives.

Nevertheless, a lack of substantive change in policy spending or objectives does not necessarily imply policy continuity. Moreover, these analyses do not explicitly cover youth schemes. To compare welfare states in a meaningful way, I propose to go beyond expenditures and to qualitatively analyze activation instrument mixes using incentives. Policy design scholars argue policies contain common elements and the relationship between these elements create structural logics that can be used for comparison (Schneider and Ingram, 1988, 63). In the case of activation policy, a suitable logic of action for comparison is *how* these policies influence target population behaviours. Activation policies share the common objective of reinforcing the link between social protection and work life. These policies use incentives as policy instruments to achieve this.

Accordingly, I present a multidimensional classification typology of incentives that can be applied to youth transition policies. This typology resolves the issue of ambiguity in the dependent variable by allowing for between case comparisons, as well as within-case comparisons between governments. The classification first categorizes policies according to the labour market target. This is determined by the lever for labour-market integration: supply or demand. The second dimension of the typology classifies how incentives are enforced. This includes four potential mechanisms: positive and negative financial incentives, and organizational and concrete human capital incentives. I apply this typology in the case chapters to identify areas of change, the dependent variable in the analysis.

Before presenting the typology, I begin the chapter by 1) an explanation of transition policies and how they relate to activation. 2) I outline existing activation classifications. 3) I introduce a means for understanding youth activation in the post-crisis by classifying policy instruments according to incentives.

5.1 Transition Policies

This dissertation investigates youth policy change. To accomplish this, I use existing literature to identify youth issues and the policies designed to resolve them. Chapter 2, explains how researchers have identified transition regimes and used them to understand approaches to youth transitions. Although helpful, this research compares policies, not regimes. To that end, this section describes different types of youth transition policies.

Focusing on the school-to-work transition, Pohl and Walther explain that youth can suffer from both individual and structural deficiencies, as presented in Table 5.1 on the next page.¹ To mitigate these vulnerabilities, states create transition policies. These scholars distinguish between youth transition policies by first analyzing how the issue is diagnosed

¹ The table is taken and slightly modified from Pohl and Walther, 2007, 536.

Table 5.1: Youth Transition Disadvantages

Individual	Issue	Structural
Lack of motivation	Lack of qualifications No access to training/study Drop out from training/study Training/study mismatch Blocked labour market entry Lack of labour demand Partial/neglected citizenship	Lack of opportunities and resources

and the nature of the policies adopted to resolve it. Youth disadvantages can be diagnosed as either structural or individual. Structural issues convey youth as being disadvantaged due to a lack of employment opportunities. Meaning the labour market is a critical component of the problem. States may also define youth issues as being individual. By this, the authors indicate a person's "lack of skills or unwillingness to work" is understood to be the main issue (Pohl and Walther, 2007, 537).

Regardless of the policy issue, states can adopt both individualizing policies that focus on employability or structural policies that focus on creating opportunity and access to the labour market. These policies are visible in Table 5.2.²

Table 5.2: Individual and Structural Approaches to Disadvantage

Policies Diagnosis	Individualizing <i>(focus on employability)</i>	Structural <i>(focus on access to opportunities)</i>
Individualizing <i>(individual deficits)</i>	Counselling, prevocational measures, workfare	Access to support for regular work and education
Structural <i>(lack of opportunities)</i>	Pre-vocational measures, retraining	Job-creation, subsidies, self-employment

Pohl and Walther expand upon this general classification with a third dimension: the timing of policy solutions. Timing can be either preventative or compensatory. These dimensions allow them to create an overview of policy measures for youth transitions. This is recreated in Table 5.3 on the following page.³ Additionally, these scholars distinguish between school and training-related and labour market-related measures. The former refers to reducing early school leaving whereas the latter relates to policies to prevent youth unemployment and includes activation policies. According to findings from the LABREF

² Taken from Pohl and Walther, 2007, 537.

³ Taken from Pohl and Walther, 2007, 538.

Table 5.3: Overview of Current Policy Measures for Disadvantaged Youth

	Structure-related
Educational allowances Employment subsidies	Integrated training routes Assistance in self-employment
Compensatory	
	Preventative
Special needs education Second chance schools Pre-vocational education Labour market training Workfare	Counselling
Individualizing	

database, expectations are for all three cases to adopt policies relating to these two strategies. Nevertheless, this research's primary focus is on social and labour market policies, not educational policies.

Pohl and Walther's classifications provide a list of potential youth transition policies to categorize. Although I do not use these exact distinctions, the typology will be able to classify these policies based on the incentives found within them. As explained in Chapter 1, mutual obligations are increasingly present in the welfare state and labour market policies. These obligations manifest themselves by linking social protection with labour market integration. Given these trends, I use the notion of activation to understand how states have encouraged youth to transition into the labour market. By this, I mean how states alter rights and responsibilities and create incentives to encourage individuals to accept these mutual obligations. To ensure I have a global understanding of activation before outlining the typology, I explain how researchers have classified activation and ALMP policies and why incentives are a useful dimension for classification in the next section.

5.2 Labour Market Activation Classifications

As previously explained, activation is an ambiguous concept and states have adopted a variety of activation policies. Despite this complexity, scholars have created encompassing classifications that are useful for conceptualizing policy change in the post-crisis. These classifications include quantitative indicators and qualitative dichotomies as well as ideal-types and typologies.

5.2.1. Existing activation classifications

The reference point for most researchers comparing activation trends is ALMP spending. The most commonly used database for ALMP expenditures is the OECD and European Commission's Social Expenditure Database (SOCX). Most post-crisis analyses of ALMP also use the SOCX database for quantitative or mixed method analyses (Bonoli, 2013; Nelson, 2013; Huber and Stephens, 2015; Bengtsson et al., 2017). In so doing, researchers have found that ALMP spending varies according to numerous factors. These analyses provide insight into the determinants of ALMP. That being said, there are also significant limitations to using this database.

Despite numerous analyses on spending trends and active labour market policy determinants, the results are conflicting (Vlandas, 2011), and researchers do not fully understand the effects of different independent variables on activation. Addressing the shortcomings found in quantitative literature, Clasen et al. explain that "there are a number of methodological, conceptual and theoretical challenges that recent scholarship on ALMP has neglected or insufficiently addressed" (2016, 33). These researchers explain the SOCX database contains reliability and validity issues. For example, it does not include all ALMP spending; local and regional governments also contribute to ALMP spending, which is not captured in the OECD database (Clasen et al., 2016, 24). These authors also point out that activation differs from cash transfers and should be analyzed using a different "toolkit".⁴

There are two other limitations specific to this research. First, the SOCX database does not extend beyond 2013. Gaps in the data for countries in the sample population are another issue with this database.⁵ Second, the SOCX database does not distinguish between general activation expenditures and youth activation expenditures. This problem is partially due to the difficulty of identifying youth ALMP. For instance, although youth and young adults are often the targeted populations for ALMP, they are not necessarily mentioned in the policy proposals. Youth guarantees also present difficulties. These guarantees create entitlements to employment and the provision of services for youth subcategories.

⁴ Clasen et al. state that ALMP varies from cash transfers in three ways. First, ALMP spending is typically discretionary whereas cash transfers represent entitlements. Meaning, the politics of spending differs because states may modify ALMP through ongoing budgetary procedures rather than through legislation. Second, ALMP do not have the same unambiguous impact on individuals that cash transfers do. Because of this, it is challenging to "ascribe clear and stable preferences for and against them to social and political actors, as standard quantitative approaches require" (Clasen et al., 2016, 32). This issue also leads to doubts about the validity of the credit claiming mechanism as politicians may only be signalling concern on unemployment instead of offering anything of value. Third, these policies are multi-tiered and multi-actor in character. This means that ALMP investment may be affected by different political interests (such as local governments or third-party actors) which are more complex than the broad political factors found in current quantitative analyses.

⁵ The UK, for example, only has three years of data for the period of analysis.

Nevertheless, the provision of services and conditionality-levels vary between states. For these reasons, it is important to use a measure that distinguishes between these elements. To overcome limitations such as these, Clasen et al. propose researchers go beyond expenditures and conceptualize variables based on substantive dimensions (2016). I heed this advice and adopt a more fine-grained qualitative analysis. As a result, the dissertation is meant to be a companion to existing ALMP literature.

In addition to using quantitative data, researchers have created classifications to compare ALMP. Research shows ALMP are a diverse policy category. They include a range of policies including job creation and search programs, education and training, parental leave and childcare, and tax credits (Bonoli, 2013, 20). Within this diversity, authors have found activation policies converge around common themes. Typically, activation policies reorient social protection and labour market provisions to curtail passive expenditures, redefine the social contract and emphasize individual rights and responsibilities (Lindsay and Mailand, 2004, 129, 155; Crespo and Pascual, 2004, 13). As such, they may be classified according to many criteria, including policy objectives and outcomes. Policy outcomes are beyond the scope of the present analysis, which focuses on policy instruments and objectives.⁶ These classifications range from simple dichotomies to ideal-types and more cross-cutting typologies.

Dichotomies have been created to distinguish between activation types. For example, “positive” activation has been used to refer to programmatic inclusivity, training and job placement, whereas “negative” activation has been used to describe reduced replacement rates and benefit duration (Taylor-Gooby, 2004; Huber and Stephens, 2015: 273). While these classifications can be useful, they are problematic for this dissertation for two main reasons. First, scholars associate these terms to left- and right-wing political parties in ways that are normatively problematic and empirically over simplistic. Second, these terms are asymmetrical. One includes the level of programmatic inclusivity/exclusivity and level of human capital investment while the other includes only the level of work orientation. These terms are simply not commensurable and, unfortunately, not relevant for this research.

A more elaborate means for classifying activation strategies is the creation of ideal-types. Torfing, for example, distinguishes between offensive and defensive workfare ideal-types

⁶ ALMP outcomes show important variation and their efficiency has been contested. Meta-analyses by Card et al. demonstrate that outcomes vary according to ALMP type and the time horizon (2010). A recent meta-analysis specifically on youth labour market policies shows that over a third of results are statistically significant (Kluve et al., 2016). As they state, “[...] much of the difference in performance seems to be related to design and implementation factors, as well as the characteristics of the country and population of beneficiaries” (Kluve et al., 2016, 37).

Table 5.4: Types of Active Labour Market Policies

	Investment in human capital		
Market orientation	None	Weak	Strong
Weak	(passive benefits)	<i>Occupation</i> Job creation schemes in the public sector Non-employment related training programs	(basic education)
Strong	<i>Incentive reinforcement</i> Tax credits, in work benefits Time limits for recipients Benefit reductions Benefit conditionality	<i>Employment assistance</i> Placement services Job subsidies Counselling Job search programs	<i>Upskilling</i> Job-related vocational training

according to macroeconomic and structural economic policies (1999). As the labels imply, offensive workfare is proactive and defensive workfare is reactive. Moreover, offensive workfare is related to the Schumpeterian welfare state and associated with education and empowerment policies that create positive-sum solutions (Torfing, 1999, 9). Defensive workfare relates to benefit reduction and leads to zero-sum solutions (Torfing, 1999, 9). Barbier also suggests an ideal-typical activation classification: liberal and universalistic (2002, 314). He dichotomizes these ideal-types according to multiple factors, including the dominant systems of values and social norms, the target group, the services and benefits provided, the associated sanctions, and the role of public services, administration and social services (Barbier, 2002, 315).

These ideal-typical classifications are useful for hypothesis formation and macro comparison. Nevertheless, they do have limitations. One critique is that they are overly reliant on structure and welfare state conceptions. These traits create the tendency to perpetuate existing findings. This tendency is especially problematic when comparing activation because researchers have found convergence between nations in activation instrument designs (Eichhorst and Konle-Seidl, 2008, 18). Another issue is that these ideal-types cannot be directly applied to policies because they do not distinguish between political party or actor coalition preferences. Moreover, these classifications cannot be readily used for hybrid cases (such as the French case).⁷ These limitations are especially relevant for this dissertation because youth is a heterogeneous and fragmented population and policies increasingly emphasize differing individual risks and needs. I argue that to analyze policy change in the post-crisis, it is necessary to use a classification that can distinguish between policy instruments.⁸

A more comprehensive means for identifying different activation strategies comes in the

⁷ Barbier recognizes this critique of his typology.

⁸ Bussi does provide an ideal-typical classification that responds to many of the critiques above (2014). Nevertheless, her analysis investigates policy implementation, which is beyond the scope of this investigation.

form of typologies. The most commonly used activation typology is Bonoli's (2013), visible in Table 5.4 on the next page. Here policies are divided according to human capital investment and market-orientation. This represents a useful means for classifying policies instead of focusing on the underlying welfare state regime. The typology also situates passive policies and basic education within the property spaces. These attributes have allowed many scholars to apply SOCX data to the typology (Bonoli, 2013; Nelson, 2013; Bengtsson et al., 2017).

Although I draw inspiration from Bonoli's typology and research, I argue there is a need to move beyond it. There are two main reasons for this. First, this typology aims to define the impact ALMP have on the broader political economy. Instead, I aim to identify second-order change. This is because there is no indication that activation objectives have changed since the 1990s. To analyze second-order change, I compare policy instruments. Comparing instruments creates the second issue with Bonoli's typology because the two dimensions he uses do not allow for us to sufficiently distinguish policy instruments. For instance, classifying activation according to levels of human capital investment is of limited use. As previously stated, recent empirical evidence shows investment in human capital, low, to begin with, has not risen since the financial crisis (Bengtsson et al., 2017). Accordingly, although human capital investment is a factor, I argue it should not be the primary dimension of the activation typology.

Bonoli's second dimension, market orientation, is also problematic in the current policy context. The typology uses market orientation to signal "demand-driven market employment" (Bonoli, 2010, 439). By this, Bonoli means "jobs that are created as a result of a demand for labour by private or public employers and not to absorb excess labour supply" (Bonoli, 2010, 455). That is to say, to distinguish job creation schemes that simply keep people active, but do not lead to long-term employment, from more sustainable employment. Although this distinction is pertinent for understanding how activation has evolved since the 1950s, it is not the most efficient means for identifying policies in the current period because states have generally moved away from this activation approach. Instead, the typology created for this dissertation distinguishes the lever to the labour market.

As Bonoli's classification, this typology includes a wide array of measures encompassing social, labour market and educational policies. This allows me to broadly map the incentive mixes found within a case and easily compare them with others.⁹ Likewise, activation

⁹ While I outline overall incentive mixes, the process-tracing portion of the dissertation focuses on social and labour market policies. This is because youth transitions include a variety of policies. However, the focus is on policies that relate to social protection and employment.

typologies should be able to include more than ALMP. This is because ALMP is not the only means for activating individuals. As van Berkel and Møller explain, governments can enforce activation by altering both active and passive policies and by connecting these policies through conditions (2002). Empirical evidence also shows that governments can incentivize labour market integration through policies that affect different actors. To illustrate, the OECD has put forward a new activation framework based on three central tenets (2015b, 109). First, it proposes to motivate people into work by making work pay and reducing work disincentives by linking benefits to activation conditions. Second, it recommends increasing employability through public employment services, counselling and training measures. Third, the OECD suggests creating employment opportunities by reducing demand-side barriers and working directly with employers.

To include these diverse instruments, I create a typology that allows us to differentiate between the lever to the labour market, supply or demand, and the mechanisms used to promote employment take-up. Incentives are a crucial dimension in the typology because they are integrated into policies as tools to ensure compliance (Lascoumes and Le Galès, 2005). Hence, incentives are the principal means for reinforcing the link between social protection and work life.

Typologies that distinguish between incentives do exist. Weishaupt, for instance, classifies incentive structures in his 2011 comparison of labour market regimes. He first distinguishes between positive and negative incentives and subsequently between financial and non-financial incentives to compare both active and passive labour market policy measures (Weishaupt, 2011, 68). These incentives are reproduced on the following page in Table 5.5. In this classification, Weishaupt explains that financial incentives refer to incentives that relate directly to transfer payments, whereas non-financial incentives relate to “[...] incentives that condition the access to transfer payments or gainful employment” (2011, 68). This distinction is a useful means for distinguishing between policy instruments and is partially adopted in the typology created for this dissertation.

Pohl and Walter also create an activation typology that applies to youth based on incentives and individualized action plans (2007).¹⁰ They take into consideration whether or not youth are entitled to state benefits and subsidies. This allows them to distinguish between five activation models. Pohl and Walter’s typology is also useful as it allows for a more in-depth understanding of key differences between states. As I explain in Chapter

¹⁰ The authors define individualized action plans as “a written document (or contract) which, based on evaluation of personal circumstances, abilities and professional skills of the individual, determines the type and scope of assistance required and sets out specific procedural steps for occupational integration” (Pohl and Walther, 2007, 541).

Table 5.5: Negative and Positive Incentive Structures of Labour Market Policy Regimes

Negative Incentives (financial)	Negative Incentives (non-financial)	Positive Incentives (financial)	Positive Incentives (non-financial)
<ul style="list-style-type: none"> • Short duration of unemployment benefit payments, • Low, means-tested social wages, • Unavailability (or phasing-out) of “early exit” options (early retirement or disability pensions) 	<ul style="list-style-type: none"> • Job-search requirements • Broad definition of a “suitable” job offer • Strict eligibility criteria • Benefit sanctioning when in breach with benefit conditions 	<ul style="list-style-type: none"> • In-work subsidies • Tax credits • Benefit top-up for participation in public work schemes • Self-employment start-up subsidies 	<ul style="list-style-type: none"> • Job counselling • Training courses (soft and occupational skills) • Childcare support • Other services (mobility, mental health, debt, substance abuse)

4, taking entitlements into consideration is particularly important when analyzing youth policy because it is necessary to understand whether or not, and to what extent, they have social rights to begin with.

The advantages of both Weishaupt’s and Pohl and Walther’s typologies notwithstanding, I do not fully adopt them here. Weishaupt’s typology contains useful elements, but the classification of labour market regimes goes beyond the scope of this dissertation. Pohl and Walter’s typology is also problematic for this research because it ultimately leads to country classification instead of policy classification. To more fully capture the dynamics of youth policy and to distinguish between policy incentives, I create a typology that borrows from both Weishaupt and Pohl and Walther. This is outlined in the following section.

5.3 Conceptualizing Activation Incentives

Social scientists may adopt different strategies for operationalizing concepts and measuring variables. This allows for different levels of information gathering. Information levels can be broken down according to nominal, ordinal, interval, ratio, absolute, and partial order scales (Collier et al., 2012, 218). Researchers use these scales for a variety of purposes, from simply discerning between the presence or non-presence of phenomena to purposefully ordering and calculating phenomena. As a consequence, operationalization strategies should relate to the research question at hand.

In this dissertation, I pose the question: how have welfare states modified their youth transition policies since the financial crisis? To respond, it is necessary to operationalize youth transition policies. Due to the complexity of youth transitions, I adopt the tool of partial order to classify policy instruments. Partial order is used to order some, but not all, categories and is associated with qualitative measures (Collier et al., 2012, 218). Examples

of partial order can be found in the categorization of phenomena.

Social sciences have long used categorization as a classification tool. Two of the most famous examples are Weber's use of ideal-types and Durkheim's notion of the scientific classification of social phenomena. Weber is renowned for his use of ideal-types to conceptualize authority. His goal was to integrate sociological concepts in a holistic approach and to formulate an appropriate language for its communication. The ideal-type used as a tool of abstraction to make comparisons between empirical phenomena, which are then branched into different ideal-types. Thus, ideal-types are imaginary constructs and entirely dislocated for empirics. Another famous use of categorization is Durkheim's use of classification as found in society (Durkheim and Mauss, 1903). In this instance, classification is used as a tool to distil complex social realities. This is accomplished by carefully selecting among the possible characteristics (Durkheim, 1895, 111).

Typologies are another form of classification. They are an analytical tool used to describe or explain empirical phenomena (Collier et al., 2012, 217). In a typology, empirical phenomena are understood as variables that form property spaces (Hempel and Oppenheim, 1936). A typology is defined as a “[...] *the selection of a certain number of combinations of groups of variables*”¹¹ (Capecchi, 1968, 9). As Hempel and Oppenheim explain, typologies are the reduction of property space (1936). To contrast typologies with ideal-types, the former is mutually exclusive and collectively exhaustive whereas the latter is not. As Van Kersbergen and Vis succinctly explain “[...] a typology, unlike the theoretical device of ideal-types, is an empirical classificatory device that reduces observed complexity by cataloging existing cases as meaningful representatives (types) of some concept of interest” (2013, 59). Authors also explain that typologies may have one of three objectives: description, classification, or explanation (Elman, 2005). For this dissertation, I create a descriptive, also sometimes referred to as a conceptual, typology.

A conceptual typology may be defined as a typology that aims to “explicate the meaning of a concept by mapping out its dimensions, which correspond to the rows and columns in the typology” (Collier et al., 2012, 218). The idea of interest here is incentives. Youth transition policies may contain multiple incentives. For instance, a policy can provide human capital-related incentives through training as well as financial incentives via financial support.

Although the incentives presented in the classification in Table 5.6 on p.109 are collectively exhaustive, the goal here is not to categorize mutually exclusive policies, but to distinguish

¹¹ Italics original.

appropriate incentives within policies. By this, I mean that, even though incentives are distinct, policies may include multiple incentives or incentive mixes. This is because the objective is to provide a more detailed understanding of youth transition incentives by adopting a descriptive typology, rather than an explanatory typology. This typology is therefore used to describe the phenomena under analysis instead of systematically categorizing the outcomes (Collier et al., 2012, 218). In this way, it will serve as a heuristic device to compare policies.¹²

5.3.1. *Overcoming limitations in existing literature*

I recognize that the proliferation of typologies can unduly limit research by sometimes creating the effect of researchers speaking past each other (Sartori, 1991; Collier and Levitsky, 1997). Nevertheless, the present exercise in typology creation is relevant for understanding activation incentives in youth transition policies. I justify it for three main reasons. First, quantitative measures lack dimensionality for understanding the empirical phenomena at hand. Second, as highlighted in Section 5.2.1, existing classifications have significant limitations. Third, I require a typology that can distinguish between instruments. For example, specific transition policies such as youth guarantees contain multiple policy instruments. To differentiate between various youth guarantees, I argue it is essential to distinguish between the incentives created for youth to fulfil their responsibilities.

First, research provides evidence that states are adopting similar activation strategies. However, the current state of analysis – which relies heavily on expenditures – does not allow for us to investigate policy mixes in-depth. By adopting these dimensions, I can analyze who is affected by a policy and how. I aim to go beyond the limits of quantitative measures by utilizing a qualitative typology. As previously established, the most popular quantitative measures use ALMP spending as a proxy for activation. Although spending levels are a useful measure, they have specific limitations. Databases that aggregate spending levels do not consistently disaggregate policies between nations, nor do they accurately identify national strategies for youth. Moreover, the most informative database, the SOCX database, does not contain up-to-date figures beyond 2013. The lack of data makes the analysis of the post-crisis period difficult. Also, changes in spending figures do not necessarily represent policy change and vice-versa. Finally, not all types of ALMP require high spending levels. As others (Clasen et al., 2016), I argue that additional dimensions are necessary for conceptualizing these policies.

¹² Beach and Pedersen advise researchers to follow three steps to develop causal concepts (Beach and Pedersen, 2016, 153-154). First, they should map existing definitions. Second, they should deliberate upon what aspects of these definitions are relevant to the research question at hand. Third, they should choose the elements that are causally relevant and develop how they relate to each other. While I do not aim for causal conceptualization, this three-step process remains useful.

Second, activation in this dissertation is purposefully defined to include a variety of policy initiatives and conditions. That being the case, I require a typology that accounts for these different measures. To do so, I overcome the limitations mentioned above found in existing activation classifications. Some classifications contain normative or prescriptive dimensions. I aim to be neutral in this research. Other classifications focus heavily on existing institutional structures. In my opinion, reliance on past welfare state institutions limits the ability to distinguish between policies. A further challenge lies in the fact that I aim to analyze incentive structures imposed by these policies. I adopt a broad definition of activation as the reinforced link between the efficiency and equality of social programs and their justification through active participation in work life. This link manifests itself through incentives, which should be analytically distinct. For these reasons, this research outlines a multidimensional conceptual typology that emphasizes the causal lever to the labour market and the mechanisms used to link social protection and work life.

Third, I argue incentives are a relevant dimension for distinguishing between policy instruments. Youth are a fragmented and heterogeneous group, and youth transition policies often include multiple devices. An example of this is the adoption of youth guarantees. These policies are difficult to categorize using existing typologies because they are created on the premise that youth unemployment is a complex and multifaceted policy issue (Escudero and Mourelo, 2015, 4). As such, youth guarantees are a combination of solutions to cater to a non-homogenous group (European Commission, 2016c, 7). For these reasons, youth guarantees *cannot* and *should not* be placed in one section of the typology. Instead, they may adopt a combination of policy instruments from this typology.

For example, one distinction made between youth guarantees is whether they are work-first or train-first. Although both use both use public employment assistance strategies, the former draws attention to rapid labour market integration, notably through subsidized employment, to provide youth with a positive work experience (European Commission, 2013, 15). The latter emphasizes human capital investment to ensure labour market integration is lasting (European Commission, 2013, 19). The validity of this distinction has been argued.¹³ That being said, each state's relative emphasis on different policy instruments remains a meaningful difference. I argue that this typology allows one to distinguish between and compare the various elements contained in policies such as these better.

¹³ Countries with strong vocational education and training programs are especially problematic as they emphasize both training and work (European Commission, 2016b, 9).

5.3.2. *Activation incentive typology*

Collier, LaPorte and Seawright explain four steps to creating a typology (2012, 223). First, there must be an overarching concept. Second, the overarching concept should be divided using both column and row variables. Third, the typology should cross-tabulate these variables by creating a matrix. Fourth, the cells in the matrix should be given names for the type of policy concerned. In this case, the overarching concept is activation incentives. These incentives are divided as follows. The column variable is the labour market lever, and the row variable is the incentive mechanism. This creates a 2 x 4 matrix visible in Table 5.6.

5.3.2.1 *Typology dimensions*

The first dimension in the typology aims to understand who the policy targets better. I accomplish this by determining the relationship between these policies and the labour market. Labour market levers are categorized according to whether policies aim to increase labour market participation through supply or demand-side measures. Meaning, through measures that affect the worker or the firm. This dimension is partly inspired by Pohl and Walther's distinction between structural and individual approaches to disadvantage.

Supply-side measures affect workers. One way of doing this is by aiding the matching process through better job search tools and training. Policies include increasing the supply of labour by creating incentives that ensure individuals become active participants through limits on benefits. They also include measures that improve individual marketability and qualifications.

Demand-side measures affect employers. Policies in this property space include measures such as wages below the legal minimum and reducing the social contributions employers must pay. They can also include public subsidies to private enterprises upon the creation of jobs for specific categories of the population and direct job creation in the public and non-profit sectors (OECD, 2003, 123). Another way policymakers can affect labour demand is by applying existing labour laws and regulations or creating new ones to ensure that firms do not discriminate against potential workers.

The second dimension of the classification distinguishes between incentive mechanisms. Incentives can be either positive or negative and may be imposed through different policy instruments. This distinction is somewhat similar to Weishaupt's work incentives dimension (2011, 68). I adopt a separate delineation according to financial and human capital incentives. Financial incentives are defined according to how economic theory predicts a rational actor should react to a change in the cost-benefit analysis of joining the labour

market or increasing demand for labour. These changes occur by modifying either the costs or the benefits in the equation. Human capital incentives are defined as positive incentives that invest in an individual's capacities to increase skills or qualifications. They may include soft skills that relate to organizational skills, such as the ability to "market" oneself. They may also include hard skills associated with concrete knowledge, such as training and vocational training and education (VET).

Although Weishaupt categorizes certain conditions and sanctions as negative non-financial incentives, I argue that these sanctions are financial incentives because they relate to cost-benefit calculations and often result in a financial penalty. For instance, negative incentives can be used to increase the cost of inactivity. These policies assume that rational actors will forego work or pay if a cost-benefit analysis reveals inactivity is more profitable than activity. Incentives are therefore used to increase the cost of non-participation. These incentives include reduced benefit duration and increased sanctions for non-compliance. Such incentives have been used to avoid "welfare dependence" and "poverty traps" to ensure labour market participation in the past (OECD, 1996b, 2000). Negative incentives may also include enforcing existing laws and regulations and creating financial sanctions for firms who disobey.

Positive incentives assume that increasing the benefits of participation will make labour more affordable, and thus encourage individuals to join the labour market. These policies aim to promote labour market integration by helping individuals overcome employment obstacles by repairing individual deficiencies and enhancing human capacities or by providing positive benefits for those attempting to find work such as improving the matching process. They can also increase labour demand by reducing the cost of labour. Also, these policies can repair barriers to labour market entry through different levels of human capital investment. Human capital investment may range from low capacity investments, such as creating individual action plans and counselling, to investment in soft skills such as job search and curriculum vitae preparation, to more intensive investments including training and education programs.

These two dimensions create eight potential activation incentive types visible in Table 5.6. These take the form of increased incentives to encourage employment; increased labour search incentives; subsidized employment; fiscal incentives; administrative services; employment services; company training and upskilling.

5.3.2.2 *Activation incentive types*

The first type is incentives to encourage employment. This type includes negative demand-side financial incentives. Financial incentives are categorized as negative because they enforce existing laws and creating sanctions for noncompliance. Although these policies represent an unorthodox means of activation, they remove obstacles to employment by inciting employers to accept specific categories of employees at-risk of social exclusion. For instance, non-discrimination laws that would ensure firms don't discriminate by age or ethnicity. Another example is fiscal penalties as found in France in the form of higher tax rates for businesses that do not comply with labour laws, such as hiring a predetermined percentage of interns or apprentices.

Second, increased labour search incentives represent a combination of negative supply-side financial incentives. This policy type most resembles workfare-ism in the sense these policies are used as tools to avoid incentive traps and social policy dependence. This type of policies can take the form of cutting benefit periods or benefits and imposing stricter conditions for benefit reciprocity.

Third, subsidized employment combines positive demand-side financial incentives. This policy type uses job creation in public, private, or non-profit sectors to repair market deficiencies and reduce skill depletion through the job market. Other policy instruments may include reduced social contributions for employers and wages below the legal minimum because they also reduce the cost of labour.

Fourth, fiscal incentives represent positive supply-side financial incentives. Examples of this are tax credits and negative income tax for workers who meet established criteria. Another example is financial support for people who participate in specific programs. These policies are particularly popular in the United Kingdom. Another example is France's *Prime d'activité*, a means-tested stipend for individuals who work, but whose income remains near the poverty line.

Fifth, administrative services are demand-side organizational human capital incentives. They create and reinforce links between businesses and local and regional governments. These initiatives simplify the matching process between employers and labour. Services may include input and funding from social partners. These incentives are not commonly included in public employment services. However, in interviews, civil servants and employer associations have mentioned them as a means for enhancing the matching process.

Sixth, employment services are demand-side organizational human capital incentives. Poli-

Table 5.6: Activation Incentives

Labour Market Lever	Incentive Mechanism			Organizational Human Capital Incentives	Concrete Human Capital Incentives
	Negative Financial Incentives	Positive Financial Incentives	Organizational Human Capital Incentives		
Demand-Side	<p>I</p> <p><i>Incentives to encourage employment</i> Effective law enforcement for labour market and social protection policies</p>	<p>III</p> <p><i>Subsidized employment</i> Job subsidies Below minimum wages Reduced social contributions Job creation in public sector</p>	<p>V</p> <p><i>Administrative Services</i> Reinforced cooperation with social partners and local governments</p>	<p>VII</p> <p><i>Company Training</i> State financed company training</p>	
Supply-Side	<p>II</p> <p><i>Increased labour search incentives</i> Benefit reductions Compulsory participation Increased time limits for recipients</p>	<p>IV</p> <p><i>Fiscal incentives</i> Tax credits Negative income tax Financial support</p>	<p>VI</p> <p><i>Employment Services</i> Counselling Job search programs and placement services</p>	<p>VIII</p> <p><i>Upskilling Training</i> Job-related VET Second chance schools</p>	

cies that fit in this category attempt to reduce barriers to the labour market by enhancing individuals' capacity to market their skills. These incentives are meant to improve the matching process by aiding individuals through employment services, job placement, and counselling. This process may include services such as meeting counsellors to create Individual Action Plans or resumés.

Seventh, company training represents a combination of positive demand-side concrete human capital incentives. An example of this activation type can be found in Denmark's "enterprise training".¹⁴ Under this program, the government funds training for unemployed individuals within private companies with the goal of skills upgrading and work experience.¹⁵

Eighth and finally, upskilling mixes positive supply-side concrete human capital incentives. Although these incentives are also meant to enhance individuals' capacities, they represent more intensive programs than those found in employment services. Upskilling may include programs providing incentives to adapt skills through training, second chance schools, and vocational education and training (VET) programs.

This typology allows us to descend the ladder of abstraction and to conceptualize activation instruments. In so doing, it presents a more detailed understanding of how governments use activation policies to create incentives for labour market participation. I argue these distinctions matter when analyzing and comparing policy change. To demonstrate this, I compare the property spaces in the activation incentive typology to other classifications to show that what may initially appear to be common activation policies may be a variation of instruments.

As explained, countries have reoriented their policies to create social protection via employment. This reorientation can be accomplished in a variety of ways. For example, a nation can attempt to influence an individual's decision to work by providing tax credits for vulnerable workers. Alternatively, it can reduce benefit generosity to incite individuals into work. Classifications often place these two policies in the same category. For example, in Bonoli's typology, these policies are subsumed under incentive reinforcement. They are categorized as a workfare approach in the liberal ideal-type as part of the Barbier's classification. These classifications have allowed researchers to respond to many research questions. For instance, ideal-type classifications and dichotomies provide a general orientation of policy based on macro criteria. Nevertheless, the empirical reality of activation

¹⁴ *Virksomhedspraktik*.

¹⁵ This policy also provides funding for public companies.

policy is far more complex than these classifications imply and countries have diverse instrument mixes that can include one or both of these activation incentives. Building on existing research, I use the typology to determine if these differences are as clear-cut as researchers present them.

As I have already mentioned, there is an empirical reason for doing this. Research since the financial crisis finds that welfare states typically associated with different activation policies such as social investment are adopting similar labour market policies related to workfare (Bengtsson et al. 2017). The two most common ALMP types found in the post-crisis are incentive reinforcement and employment assistance, not human capital investment. These researchers conclude there is a risk that countries known for social investment may be moving towards workfare-type policies. However, as I have explained, current typologies do not allow for us to distinguish the different instruments that may be at play. Using the typology of activation incentives, the policies previously categorized as incentive reinforcement and employment assistance are now spread out into different property spaces.

Incentive reinforcement can affect three types of activation incentives, all of which affect workers. Tax credits and in-work benefits provide positive financial incentives for individuals to remain in employment. Benefit conditions have the potential to represent both negative financial and human capital incentives. Time limits and benefit reductions are examples of negative financial incentives intended to incite workers back into the labour market. Training, a concrete human capital incentive, can also be used as a condition for benefit access. Employment assistance can also be divided into different activation incentive types: supply-side organizational human capital incentives and demand-side positive financial incentives. This is because, although many employment assistance policies provide soft-skills for workers, employers can also be affected. For instance, job subsidies affect employers by lowering the cost of labour. Thus, what initially appears to be two categories adopted by welfare states may represent up to five different activation incentive types. By spreading these policy types over different property spaces, researchers should be able to compare whether or not states are genuinely adopting the same policy instruments.

This typology of activation incentives also provides insight into how governments use activation. This is because it works according to who is targeted. True, activation policies typically emphasize supply-side measures. However, this is not always the case. During the financial crisis, countries including the UK and Germany adopted job subsidies to maintain employment levels (Chung and Thewissen, 2011). France has also historically

used this approach to resolve employment issues (Bonoli, 2013) and continues to do so (Cour des comptes, 2016). States may, therefore, shift from individual policy instruments to instruments that target firms.

The typology also allows us to include unorthodox activation strategies such as reducing barriers to the labour market through business and administrative relations. Finally, although not the focus of this research, the typology distinguishes between different concrete human capital investments and includes the growing role of companies in VET (Thelen and Busemeyer, 2012). These differences are useful considering the institutional variation found between countries (Hall and Soskice, 2001; Busemeyer and Trampusch, 2012).

5.4 Conclusion

In this chapter, I have outlined how activation incentives are conceptualized in this dissertation. The typology presented allows me to determine the lever and mechanism for a given policy instrument. I apply this typology as a tool to help identify areas of second-order change. This is because analyzing policy instruments makes it easier to determine if there is a change in the logic of action during the period.

As explained in Chapter 4, I first conceptualize youth transition policies by contextualizing whether or not and under what conditions youth are entitled to social benefits and state subsidies. This allows me to compare different national contexts and welfare state regime characteristics. In a second step, I provide an overview of activation incentives by classifying policies adopted in each case during the timeline (2008-2016). In so doing, I will be able to determine if states have created common incentives in the post-crisis. Subsequently, I analyze how these states have adopted these instruments through process-tracing.

Now that the typology is clear, in Chapters 6, 7, and 8 I apply the typology to youth policies adopted in the post-crisis in three within-case analyses. I then provide a detailed analysis of how these changes were adopted in each case using three analytical frameworks.

Chapter 6 | Denmark

The following chapter is divided as follows. 1) I explain the Danish welfare state and situate activation policies. 2) I contextualize the hypotheses to the Danish case. 3) I present a timeline of relevant activation policies for youth since the financial crisis, and classify these policies according to the typology developed in Chapter 5. 4) I discuss the findings and explain how they relate to the three analytical frameworks.

To simplify the analysis, I divide policy changes into two phases according to the party in power. First, 2008-2011 for the Blue Coalition government headed by Lars Løkke Rasmussen. Second, 2011 to 2015 for Helle Thorning-Schmidt's Red Coalition governments. For each sub-period, I first present the policies and second outline the policymaking process by testing the three analytical frameworks on relevant policies adopted during the period.

In so doing, I find that actor interests and institutional factors played a vital role in the policy adoption process and both governments during the period maintained existing logics of action for youth policy. That is to say; they maintained a mutual obligations rhetoric that provides youth rights to help them integrate the labour market. The governments also supported education solutions. Despite these rights, conditions have progressively increased, and benefit levels have been reduced to discourage youth from passive benefits.

While not strictly a change in the logic of action since Danish policymakers have reduced benefit levels in the past, retrenchment is unexpected in a welfare state known for its generous and universal social protection. Power resources mainly explain the ability to reduce social protection levels with actors forming coalitions to attain their preferences. Nonetheless, institutional and ideational factors also affected the policymaking process by setting the parameters within which actors interacted and by providing information with which actors could defend their policy preferences. Finally, the financial crisis provided a window of opportunity for specific reforms.

6.1 A Flexicurity Welfare State

Denmark represents the social democratic welfare state regime. Social democratic regimes are known to provide high levels of social protection through generous universalistic programs (Van Kersbergen and Vis, 2013, 66) that confer “an individual citizenship entitlement” (Daguerre, 2007, 84). These traits lead to higher equality than in other regimes. So-

cial democratic welfare states also provide high decommodification via policies that reduce dependence on the labour market. This regime tends to have higher levels of unionization than other welfare state regimes. For instance, trade union density in Denmark was 66.8% in 2014 (OECD, 2017).

Experts describe Denmark as having “an institutional-redistributive welfare state which is based on universal, tax-financed social benefits and citizens’ rights to free social services, health care and education” (Torfing, 1999, 11). Substantively, the Danish system is a compromise between a liberal labour market and high social protection, which together are meant to create flexibility and security (Andersen, 2013, 187). Within the generous social democratic regime category, Denmark is known for being a leader in childcare policies and has the highest coverage rate among OECD countries (Bonoli, 2013, 121). As most social democratic nations, female employment rose higher and earlier in Denmark than in other welfare state regimes.

Historically, Denmark has maintained high levels of human capital investment, and it has struck a better balance between collective responsibility and individual needs than most nations (Barbier, 2004, 74). Despite this generosity, individuals within the Danish system must also live with “high job turnover [...] and employees are accustomed to more frequent work transitions” (OECD, 2016, 52). Contrary to many nations, Denmark successfully implemented numerous labour market reforms. Scholars argue it has followed a pro-market orientation since the 1990s (Bengtsson, 2014, 63). This shift includes cuts in passive measures, stricter conditions and shorter benefits, as well as an increase in the number of active measures (Bengtsson, 2014, 58). As benefits were already generous, this has not necessarily led to dramatic changes in social rights. Recent reforms also contain elements of welfare chauvinism. In this case, welfare differentiation has been according to national-ethnic characteristics (Daguerre, 2007, 84).

Experts debate the outcome of these reforms. Some researchers argue Denmark fits the profile “embedded flexibility”, whereas others see a clear liberalization trajectory. Embedded flexibility is a form of labour market policy change that may occur by converting existing institutions to new purposes. This conversion can lead to newfound labour market flexibility while maintaining social solidarity through the collectivization of risk (Thelen 2014, 14-15). Although this conversion has occurred, experts counter that recent reforms “might seriously undermine” the Danish flexicurity model (Torfing, 1999; Andersen, 2013, 194). Regardless, both trends highlight the significance of activation in Denmark’s labour market and social policies.

6.2 The Golden Triangle of Danish Activation

Today, activation is key to Denmark's labour market and the welfare state. Nevertheless, Denmark's labour market policies remained mostly passive until the late 1980s. For instance, during the late 1970s and early 1990s, Denmark coped with the economic crises by adopting a mix of subsidies to the public and private sectors to increase labour demand, early retirement schemes to reduce labour supply, and generous social transfer payments (Torfing, 1999, 13-14). To the degree activation was used, it explicitly aimed to reduce youth unemployment. This strategy changed in the 1990s and activation is now a crucial part of the modern Danish labour market model, often referred to as "flexicurity" or "the golden triangle".

Danish governments enacted substantive changes in the 1990s in three waves meant "to continuously strengthen the qualifications and the availability of the unemployed (and employed) to meet the changing demands for labour" (Kvist et al., 2008, 242).¹ These changes included a shift towards a rights and obligations rhetoric. Labour market reforms were adopted to make activation, through a flexicurity system, an integral part of employment policy (Torfing, 1999, 14; Kvist, 2015, 9).

Flexicurity consists of a liberal labour market and a generous social security system. The labour market provides flexibility for employers to react quickly to changes by dismissing employees. In exchange, a generous and comprehensive social security regime ensures laid-off workers are well protected (if not from unemployment, then from the negative effects of commodification). Active labour market policies, which serve as mechanisms for labour market re-integration through economic and qualification incentives (Hendeliowitz, 2008, 9), apply to all unemployed individuals. Public employment services (PES) administer these measures (Beskæftigelsesministeriet, 2016a). Social partners are important actors in this model. They are members of local, regional, and national employment councils, as well as boards for vocational education and training (VET) institutions (Beskæftigelsesministeriet, 2014, 14-15; Carstensen and Ibsen, 2015, 23). Although social partners play an important role in Denmark, benefit reforms in the mid-1990s and early-2000s were not negotiated through tripartite negotiations (Kvist et al., 2008, 245).

¹ First, reforms in 1994 restricted benefits by making only non-subsidized regular employment a means for benefit qualification (Kvist et al., 2008, 240). These reforms also introduced the right and obligation to activation after four years of unemployment as well as administrative changes that decentralized activation management to municipalities and regional labour market councils (Kvist et al., 2008, 241). Individual action plans were also introduced at this time. These conditions were later extended to social assistance. Second, modifications in 1996 cut the activation period to two years, reduced the overall benefit period, and doubled the work condition for insurance (Kvist et al., 2008, 241). Third, reforms individualized activation and began the activation requirements earlier in the unemployment process in 1999.

Activation is standard for all individuals. Nonetheless, individuals under the age of 30, and especially those under the age of 25, must meet stricter requirements than the rest of the population. The next subsection explains youth activation policy trends before the financial crisis.

6.2.1. Youth activation

There is no specific youth policy in Denmark. Issues that affect youth are cross-departmental and managed by various ministries.² According to the government, youth policy is integrated into general policies aimed at ensuring equal education, employment, and welfare opportunities for all. These policies also encourage youth to be independent and active citizens who participate in society (European Commission, 2014b, 11). Service provision is decentralized to municipalities with Guidance Centres also partially responsible for implementation.³

In Denmark, unemployment benefits are restricted to insurance fund members. However, means-tested social assistance is available for the uninsured as well as those who no longer qualify for unemployment insurance. Individuals over the age of 18 are eligible for social assistance. Danish youth, therefore, gain full citizenship rights, including social citizenship, at the age of majority. Nevertheless, benefit levels vary according to conditions including age and educational attainment as well as household composition and income.

Workers in Denmark may receive unemployment benefits through unemployment insurance or social assistance. Unemployment benefits (UB) for insured workers is provided through voluntary membership to one of 26 state approved unemployment insurance funds known as *A-kasse* (Hendeliowitz, 2008, 7; Albæk et al., 2015, 45).⁴ These funds are private associations and independent of the state. In reality, the state plays a significant role as it in major part funds and regulates them (Ministry of Employment, 2016). Individuals can apply to become members of *A-kasse* if they meet work experience conditions, upon finishing higher education, or finishing an 18-month VET program (Albæk et al., 2015, 45). These conditions mean educated youth may immediately qualify for UB. Unemployment benefits are popular in Denmark with “75-80% of the labour force in the private sector and close to 100% in the public sector” opting-in between 2010 and 2013 (OECD, 2016, 62).

² This includes the ministries of Children and Education, Social Affairs and Integration, Employment, and of Science, Innovation and Higher Education.

³ Guidance Centres are divided into Youth Guidance Centres (of which there are 46) and Regional Guidance Centres (of which there are seven) that smooth the transition from compulsory education and youth programs to further education. “Guidance activities take place at locations near young people, for example, schools and public libraries, to ensure that the services are easily accessible to young people. Guidance activities include one-to-one sessions, group sessions, workshops and seminars and ‘café meetings’ and online counselling” (European Commission, 2014b, 7).

⁴ The number of UB funds has varied over time, with documents citing between 27 and 36. As of December 2016, the Danish Agency for Labour Market and Recruitment only gives information for 26 *A-kasser*. (2016, 59).

Municipalities administer social assistance for the uninsured (Ministry of Employment, 2016). Although there are two different social security systems for workers, this does not extend to activation measures, which apply to all (Kvist et al., 2008, 237).

Denmark has suffered from high youth unemployment in the past, but it is no longer a consistent problem pressure. Having reduced unemployed and increased employment since labour market reforms in 1993, known as the “Danish Miracle” (Torfing, 1999; Jensen et al., 2003, 301), Denmark had one of the lowest unemployment rates in Europe before the financial crisis. Scholars explain that, due to relatively low youth unemployment rates, policy goals have shifted away from reducing the unemployment rate towards increasing labour supply (Carstensen and Ibsen, 2015, 15). These goals can also be explained by demographic trends that lead to forecasts for increased retirements by 2020 and the demand for skilled workers. For these reasons, policies increasingly emphasize youth’s qualifications.

Governments adopted two main strategies to respond to high youth unemployment in the late 1970s (Kvist et al., 2008, 239). First, policies to redistribute employment from senior to younger workers through early retirement schemes. Second, activation policies provided a work offer for insured unemployed workers to allow individuals to requalify for benefits. Since the 1990s, Denmark has adopted different activation strategies. In this context, governments have consistently reinforced mutual obligations and prioritized education solutions for youth.

In the 1990s, Danish activation measures targeting youth initially reinforced rights and obligations.⁵ The 1990 Youth Allowance Program was Denmark’s first compulsory youth program. It reinforced mutual obligations by making activation mandatory for 18 to 19-year-olds on social assistance benefits (OECD, 2010, 120). Under the policy, youth who refused activation measures could be sanctioned and may become ineligible for social assistance (Daguerre, 2007, 91). Municipalities also provided counselling to ensure youth were aware of activation offers (Torfing, 1999, 16). The government extended these conditions to individuals under the age of 25 in 1992 and those between the ages of 25 and 29 in 1998. While these policies did cut benefits, Kvist argues the underlying objective was “to target benefits to the needy and to invest in equality-promoting policies like childcare, education, and active labour market and social policies, now known as employment policies” (2003, 242).

Since the mid-1990s, Danish youth activation policies have emphasized education. The

⁵ There was a Youth Guarantee Experiment in the 1980s. However, Torfing explains that education and training were not a “dominant strategy” during this period (1999, 13).

1996 Youth Unemployment Program adopted under the Social Democrat coalition government is an example of this. It introduced mandatory training for 18 to 25-year-olds on UB without an upper secondary education (Jensen et al., 2003, 302). It also targeted youth unemployed for six of the past nine months and offered an 18-month VET course. The policy reduced benefits in half to ensure they coincided with existing education grants and sanctioned non-compliance with benefit ineligibility (Jensen et al., 2003, 302).

Although the Red Coalition influenced activation in the 1990s, it is not only a center-left issue. Blue Coalition governments continued to reform activation policies in the 2000s. The reforms include changes to ensure youth are active and enter education. In 2003, social assistance was reformed to ensure individuals 25 and younger participate in education after six months of unemployment (DG EMPL, 2017b; Daguerre, 2007, 97). Furthermore, after the initial six-month period, benefit levels were reduced to match student grants. For youth with an education, social assistance benefit levels were to be reduced to student grant levels after nine months (Daguerre, 2007, 92; Danish Government, 2010d, 18). A 2005 reform maintains this stance by creating an obligation for individuals between the ages of 18 to 25 to apply for education or forfeit their right to social assistance (DG EMPL, 2017b).

6.2.2. *Reforms before the financial crisis*

Before the financial crisis, there were important structural changes in 2007 consisting mainly of administrative reforms. Hendeliowitz explains the overarching goal of these reforms was to ensure the unemployment system adapted to the ageing labour market and the need for qualified labour (2008, 11). The reforms continued decentralizing public employment services and maintained a clear division of powers between the state (for unemployment insurance funds) and municipalities (for social assistance) (Hendeliowitz, 2008, 13).⁶ This reform also introduced Job Centres⁷ to unify the system and ensure cooperation between both levels of government (Hendeliowitz, 2008, 12; Kvist, 2015, 10).⁸ The management of employment measures within municipalities was also homogenized by the 2007 reform, they are now managed by performance indicators (Hendeliowitz, 2008, 13).

Andersen explains the government steers Job Centers through stricter guidelines and financial incentives (2013, 202). As a result, although both municipalities and the state fund Job

⁶ The OECD report explains that labour market responsibility has been decentralized to localities since 1970 (2016, 55).

⁷ According to Gould Andersen, Social Democrats resisted this reform (Andersen, 2013, 202).

⁸ Job Centres are meant to “establish a quick and efficient match between job seekers and enterprises” and “are responsible for the effort towards young people” (Beskæftigelsesministeriet, 2014, 14). They can offer mentorship and ensure that youth enter and remain in education.

Centres, the state uses funding as a tool to ensure local actors increase activation (OECD, 2016, 56). The state “integrates national employment priorities by providing financial incentives in the form of reimbursements and performance-based management monitoring tools” (OECD, 2016, 55). Reforms in 2007 also changed service provision.⁹

Denmark’s initial welfare state policy trajectory is one of high social protection and investment in human capital to compensate for labour market flexibility. Despite these characteristics, governments have progressively reoriented welfare towards the market since the 1990s. Whereas Denmark traditionally relied on consensus building with social partners, there has also been a progressive exclusion of social partners during the legislative process in the period leading to the financial crisis (Lindsay and Mailand, 2004, 139; Andersen, 2013, 200). The ageing population is seen as an issue for welfare sustainability (Daguerre, 2007, 101). Increasing the labour supply is one solution. In this context, youth are encouraged to finish education earlier and integrate the labour market.

Social benefit reductions for 18 to 30-year-olds have increasingly had a work-orientation since the Blue Coalition took power in 2001 (Daguerre, 2007, 101). There has also been a conscious effort to ensure that those under 30 are not on “normal” benefits (Carstensen and Ibsen, 2015).¹⁰ Benefit level reductions are meant to encourage youth get an education, to finish that education rapidly, and to enter the workforce.

6.3 Hypotheses

In this section, I outline the theoretical expectations for the case. To create expectations for the process-tracing sections to come, I contextualize the hypotheses with national factors. The subsections address policy learning, power resources and partisan preferences and historical institutionalism frameworks, respectively.

6.3.1. Policy learning

According to $H_{1.0}$, policymaking is a cognitive process in which alternatives are evaluated. To refute the null hypothesis, it is necessary to find evidence of a search for alternatives through meetings, commissions, and policy reports. Furthermore, I should find evidence policy alternatives were evaluated with the national context in mind.

I also specifically search for ideational influence during policy learning. $H_{1.1}$ communicates

⁹ Concerning social assistance, authors explain that policy modifications have been intended to incentivize recipients and encourage rejoining the workforce, especially for low paying jobs (Andersen, 2013, 196). Furthermore, Job Centre centralization in 2010 and subsequent changes in unemployment funding, have created incentives for municipalities to activate individuals to receive higher reimbursements from the central government (Andersen, 2013, 198). It is also important to note that, uncharacteristically, these modifications occurred without negotiation or compromise with social partners (Andersen, 2013, 201).

¹⁰ “A key issue in the reforms is that young people should not be on passive benefits unless cognitive, social or physical conditions do not allow the individual to be active” (Danish Government, 2010d, 20).

the expectation high levels of uncertainty lead actors to be more receptive to epistemic communities. For this hypothesis to apply, there should be elevated levels of uncertainty. I analyze this through interviews, parliamentary debates, commissions, and committee meetings. Process-tracing also looks explicitly for influence from the OECD and the EU. Publications from these two international organizations show a preference for negative supply-side and positive supply-side financial incentives as per mutual obligations policies. These organizations also promote education through VET and apprenticeships, which represent supply- and demand-side capacity human investment incentives. I, therefore, expect governments who learn from the OECD and EU to adopt these incentives.

6.3.2. Coalition formation

The coalition formation hypotheses reflect the order of policy preferences for a diverse set of actors including workers, trade unions, and politicians. To present the expectations for the Danish case, I situate these hypotheses with the configuration of actors in the national context.

First, $H_{2,0}$ states the assumption that policymaking is a power-based process. To refute the null hypothesis, I must find evidence that powerful actors obtained their preferred policies. It is, therefore, necessary to identify the most powerful actors in this circumstance. Denmark's proportional representation electoral system commonly leads to coalition governments.¹¹ As such, I do not expect one party to have the ability to impose their policy preferences unilaterally. Social partners play an important role in Denmark. However, literature has shown a progressive exclusion of social partners from the legislative process since the 1990s (Lindsay and Mailand, 2004, 139; Andersen, 2013, 200). In as such, social partners may not have the same policymaking influence they have historically had. For these reasons, I expect policymaking to be consensual and to include all parties forming the government. The government may consult social partners, but I do not expect them to determine policy.

Second, $H_{2,1}$ expresses the assumption skill and social protection levels determine the main lines of conflict between actors. To assess this hypothesis, it is necessary to determine if Denmark fulfils the scope condition of dualization. Researchers have found social democratic welfare state regimes show less dualization than other regimes and outsiders in this regime have relatively better access to training and promotion prospects (Hausermann and Schwander, 2010, 26). Furthermore, although there is a wage gap between insiders and outsiders in Denmark, welfare state programs efficiently reduce inequality between

¹¹ I recognize that this factor is linked to institutional configurations. I explain this in more detail in the following subsection.

these actors (Hausermann and Schwander, 2010, 14). Research also shows unionization rates do not vary between insiders and outsiders. This leads me to expect workers and trade unions should not have highly conflicting interests in this case. On an individual level there may be differences, but as the Danish case does not meet the dualization scope condition, I do not expect to find large-scale preference differences and negotiation positions in the Danish case.

Labour market demand should also affect actor positions. The European Centre for the Development of Vocational Training (Cedefop) provides a forecast of job opportunities by skill level. Their Danish country report shows labour force trends for individuals 15 and over. It shows demand for low- and medium-skilled employment has been decreasing since 2005. This is projected to continue to do so until 2025, whereas the market for high-skilled jobs is increasing (Cedefop, 2015). From 2005 to 2013, low-skilled employment for individuals over the age of 15 decreased by under 1%. Medium-skilled employment for that age category decreased by over 5% during the same period. High-skilled employment, on the other hand, increased by over 5%. While labour expansion will mostly be in high-skilled jobs, low- and medium-skilled jobs will still be available due to the demand for labour replacement (Cedefop, 2015). Consequently, I expect to find employers have a vested interest in activation incentives that improve human capital and employers requiring skilled labour prefer concrete human capital incentives.

Third, according to H_{2.2}, activation incentives should be affected by party alignment. Party alignment is determined using the Manifesto Project's Left-Right scores available at the European Election Database.¹² Scores vary from -100 (left) to +100 (right) and are averaged using party manifestos from 1993 to 2007. The main parties in Denmark, their partisan affiliation and score are: the Liberal party with an average center-right score (20.1); the Social Democratic party with an average center-left score (-16.1); the Conservative People's party with an average center-right score (10.2); the Danish People's party a conservative-type party with a center-right score (24.5); the Socialist People's party a communist-type party with an average center-left score (-32); the Social Liberal party, a liberal-party with an average center-left score (-9.2); and the Liberal Alliance, a liberal party with an average center-left score (-12.5).

During the period under investigation, Denmark had three governments. The center-right Blue Coalition of Liberal and the Conservative People's parties was in office from 2001 to

¹² http://www.nsd.uib.no/european_election_database/country/france/parties.html.

2011.¹³ Although never a formal coalition member, the Danish People’s party did support the Blue Coalition. The government changed in 2011 when the center-left Red Coalition composed of the Social Democratic, Socialist People’s and Social Liberal parties came to power with Helle Thorning-Schmidt as prime minister. In 2014, the Socialist People’s party left the coalition, but Thorning-Schmidt remained prime minister. As the Red Coalition maintained power, I divide the period of investigation into two parts: 2008 to 2011 and 2011 to 2015. I expect the Blue Coalition to support negative supply-side financial incentives and the Red Coalition to support concrete human capital incentives. However, dynamics within coalition governments may shift policy support with more extreme parties preferring different activation incentives.

6.3.3. *Feedback effects*

Hypotheses H_{3.0} through H_{3.2} state that institutional configurations affect policy change. Because Denmark is a social democratic state, I expect priorities to be toward rationalized recalibration and cost-containment. To better situate these expectations and understand pressures for fiscal austerity, I consider national debt. I also describe social expenditures and identify “mature” programs. To do so, I use the Eurostat Databases’ indicators on government expenditures.

First, I analyze financial pressure by looking at general government gross debt in percentage of GDP and annual deficit/surplus from 2008 to 2016, visible in Table 6.1 on the next page. As the table shows, debt begins at 33.3% and rises from 2009 to 2011. However, it subsequently decreases from 2012 to 2016. By 2016, the debt ratio was 4.5 percentage points higher than it was in 2008. To gain an understanding of the magnitude of government debt, I compare this with the EU’s Stability and Growth Pact (SGP) and Fiscal Compact, which aims to ensure that member states maintain sound fiscal policies and avoid “excessive budget deficits or excessive public debt burdens” (European Union, 2017). Substantively, the SGP provides a medium-term objective of a maximum annual deficit of 0.5% GDP.¹⁴ and a long-term target of below 60% structural government debt in GDP in euro per reference year (European Parliament, 2012). States exceeding the debt-to-GDP ratio should reduce their excess debt by one twentieth each year (European Parliament, 2012). Not once during the period does Denmark go over the long-term target. However, Denmark does have a deficit of over 1% for six years. The data shows that, al-

¹³ From 2001 to 2011, the Danish parliament (*Folketing*) was governed by a Blue Coalition with the Liberal party, at its head. From November 2001 to April 2009, Anders Fogh Rasmussen was Prime Minister with the alliance winning elections in November 2001, February 2005, and November 2007. In April of 2009, A.F. Rasmussen left the government to take the post of Secretary General of NATO. At that time, Lars Løkke Rasmussen (no relation to the previous Prime Minister) assumed the role of Prime Minister (having previously held the post of finance minister).

¹⁴ Or 1% if the state respects the debt-to-GDP target.

Table 6.1: Denmark Debt to GDP Ratio

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Gross debt</i>	33.3%	40.2%	42.6%	46.1%	44.9%	44.0%	44.0%	39.6%	37.8%
<i>Annual deficit/surplus</i>	3.2%	-2.8%	-2.7%	-2.1%	-3.5%	-1%	1.4%	-1.3%	-0.9%

Table 6.2: Denmark Expenditures as % of GDP 2015

Social Protection						
<i>Total</i>	<i>Old Age</i>	<i>Sickness and disability</i>	<i>Family and children</i>	<i>Unemployment</i>	<i>Social exclusion</i>	<i>Housing</i>
23.6%	8.3%	4.8%	4.6%	2.7%	2%	0.7%

though Denmark has consistently maintained healthy debt levels during the period, there was undeniably pressure for sound fiscal policy and deficit reduction.

Table 6.2 shows expenditures as percentage of GDP for social protection by program. This provides a snapshot of the most expensive policy areas for the government.¹⁵ Denmark spent 23.6% of GDP on social protection in 2015. Among social protection policies, old age received the most spending with 8.3%. A significant part of this spending went to pensions. World Bank demographic indicators also show that as of 2015, 18.95% of Denmark's population was over the age of 65. This figure has been rising since the 1960s, but particularly since the early 2000s. The fertility rate in 2015 was 1.69, well below the 2.1 replacement rate. Thus, old age should continue to be a major policy issue. Sickness and disability and family and children programs receive over 4% of GDP. These policy areas have the potential to crowd out youth activation incentive spending. Compared to these areas, unemployment and social exclusion policies receive approximately 2% or more of GDP each.

Other factors to consider include power concentration through political institutions such as the political regime and the possibility of veto players. Denmark has a unicameral proportional representation electoral system. Legislation must only be adopted by one chamber, which typically leads to higher power concentration. However, proportional representation tends to lead to coalition governments which can make the legislative process a negotiation. In other words, small parties can, in certain circumstances, veto policies. Coalitions may also be fragmentary. Because of this, I expect policymaking to be consensual. Finally, since legislative responsibility is not always clear, political accountability should typically be low.

Now that I have fitted the hypotheses to the Danish case, the next sections explain policy

¹⁵ Data from Eurostat COFOG data.

Table 6.3: Timeline of Youth Activation Policies in Denmark

2007	(Venstre and Conservative People's Party in power since 2001)	
2008		
2009	Blue Coalition remains in power, Lars Løkke Rasmussen becomes Prime Minister	Youth Packages I, II, III
2010		Recovery Package
2011	Social Democrats, Social Liberal Party and Socialist People's party form government	
2012		Youth Package IV
2013		
2014	Red Coalition remains in power, Socialist People's party leaves government	Cash benefit reform & VET reform
2015		

change during the period of reference. For each sub-period, I first briefly classify youth activation incentives adopted. Significant policy changes are visible in the timeline in Table 6.3. The three analytical frameworks are then tested using process-tracing. The chapter concludes with a discussion of the findings.

6.4 The Blue Coalition Government

During the financial crisis, the Blue Coalition, headed by Lars Løkke Rasmussen of the Liberal party, adopted a series of cyclical measures for youth in the form of Youth Packages. The government also enacted structural reforms through a Recovery Package which reduced the unemployment benefit period and altered benefit conditions.

Overall, the incentives adopted by this government are a mix of employment services, increased incentives for labour search and upskilling as visible in Table 6.4. Long-term reform incentives are in grey and short-term incentives are in white.

6.4.1 Cyclical reforms

The Danish government adopted a series of short-term investments for youth in reaction to the financial crisis. These investments took the form of three Youth Packages. The government also simplified activation rules for youth as part of an “anti red-tape” package. These packages represent a series of investments in different initiatives bound together by common overarching objectives.

The first Youth Package targeted youth employment and was created by the Ministry

Table 6.4: Blue Coalition Activation Incentives

		Incentive Mechanism			
Labour Market Lever		Negative Financial Incentives	Positive Financial Incentives	Organizational Human Capital Incentives	Concrete Human Capital Incentives
Demand-Side	I		III	V	VII
	<i>Incentives to encourage employment</i>		<i>Subsidized employment Youth Packages</i>	<i>Administrative Services</i>	<i>Company Training</i>
Supply-Side	II		IV	VI	VIII
	<i>Increased labour search incentives Youth Packages Recovery Package</i>		<i>Fiscal incentives</i>	<i>Employment Services Youth Packages</i>	<i>Upskilling Youth Packages</i>

of Employment, with the initial agreement announced in September 2009. The package invests DKK 380 million and has the objective of increasing activation for individuals between the ages of 18 and 30, with a particular emphasis on 18 to 19-year-olds being activated within the first week of unemployment (Danish Government, 2011b; Preisler, 2012). The package also invests in an initiative called “A new deal for the young” which helps Job Centres¹⁶ target those not in education, employment or training (NEET). It also allocates funding to create new apprenticeships within VET schools in 2010 (Skovgaard, 2009). Funding creates new demands on municipalities for Job Centers to provide employment services and upskilling incentives. It also makes quicker activation a benefit condition. This translates to increased labour search incentives.

Announced in October 2009, the second Youth Package was created by the Ministry of Education. It singles out a younger age cohort, 15 to 17-year-olds, and invests DKK 1.25 billion in 25 policy initiatives. As the previous package, funding is allocated to Job Centers for guidance counselling to mentor young people at risk of dropping out of school, and to assess pupil’s readiness to continue education. For those unready to pursue education, the state provides employment or an apprenticeship (Finansministeriet, 2009b).¹⁷ The package also modifies child support to youth support so that municipalities may withhold benefits to non-compliant parents. This package contains the same incentive mix as the previous package.

In early 2009, the government also passed an “anti red-tape” package as part of a efforts to streamline bureaucracy. The package strengthens incentives for labour search for youth under the age of 25 by making activation necessary by within three months instead of six (Danish Government, 2011b, 15). The package was meant to stimulate youth activation by simplifying sanctions and ensuring youth react to incentives (Kvist and Harsløf, 2011, 14).

Between April and July of 2011, the coalition government agreed on a third Youth Package.

¹⁶ Public employment services in Denmark.

¹⁷ While there are incentives for apprenticeships and jobs, they are marginal in the policy and therefore not included in the incentive mix.

The agreement once again contains various initiatives targeted at unemployed individuals.¹⁸ These initiatives include skills upgrading jobs for all young people, regardless of education. There is also targeted training for young unemployed, including separate active measures towards young unemployed within the construction sector. The package also contains a strengthened effort towards unemployed academics and a job rotation scheme for unemployed with higher education. Finally, it provides courses in reading, writing and mathematics (Beskæftigelsesministeriet, 2017). The package, therefore, represents upskilling and subsidized employment incentives.

6.4.2. Structural reforms

In 2010, the Danish government sought to achieve structural balance by reducing public spending. To accomplish this, the government adopted structural reforms collectively known as the Recovery Package (Danish Government, 2010e, 7). The Recovery Package affects many policies; however, the main policy of interest for youth activation is UB reform (Danish Government, 2010b).

Three significant modifications to UB that all recipients were made. First, the reforms reduced the duration of benefits from four years within a six-year period to two years within a three-year period. Second, it harmonized insurance requalification conditions by raising the period for all workers to 52 weeks of full employment within a three-year period (Danish Government, 2010b, 14). Third, under the new legislation, benefits are calculated over an extended period.¹⁹ The Recovery Package also highlights a general perception that youth on public support is a hindrance to growth. For instance, youth are encouraged to finish their education rapidly (Danish Government, 2010b, 15). The reform similarly reduces specific benefits for individuals under 30. Finally, the new legislation abolishes positive supply-side financial incentives by repealing a bonus for attending a paid youth internship (Danish Parliament, 2010). These reforms are classified as increased incentives for labour search because they reduce benefit entitlement periods and increase qualification requirements. They also specifically target youth by reducing benefits for those under the age of 30.²⁰

Overall, the Blue Coalition government adopted a mix of increased labour search incentives, employment services and upskilling between 2008 and 2011. The policies target different age cohorts, with a particular emphasis on NEET between the ages of 15 and 18.

¹⁸ The April announcement states DKK 178 million will be invested. The July announcement states a total of DKK 100 million will be invested.

¹⁹ Benefits were previously calculated over 13 weeks income. The reform changed this to 12 months (Danish Government, 2010b, 14).

²⁰ Although some of these measures encourage human capital investment, education programs are introduced via negative financial incentives.

These incentives neither represent a change in the logic of action nor was a competing logic of action introduced during the period. Evidence does, however, show an acceleration of existing trends. As I argue in the next section, legislators used the window of opportunity created by the financial crisis to expand upon the existing logic of action.

6.5 Theory Testing and Narrative

The Blue Coalition government adopted numerous policies during the period. In this section, I test the hypotheses on the policymaking process for the first two Youth Packages and the Recovery Package. These policies are selected because they represent the government's immediate response to the financial crisis.

These policies generally represent continuity in the dominant logic of action. In other words, they create incentives for individuals on public benefits to reintegrate the labour market as rapidly as possible. They also provide individuals without qualifications with the opportunity and incentives to gain competences before reintegrating the labour market. For example, both Youth Packages are explicitly tailored to ensure youth are not passive and in education or employment. This continuity notwithstanding, the Recovery Package represents retrenchment. Although the Recovery Package includes multiple measures, I concentrate the analysis on UB reform because it is a significant policy change that may affect working youth. The reform represents an acceleration of the dominant logic of action by reducing benefits and increasing incentives for individuals to return to the labour market and remain there. Finally, although education remains a policy priority, I find work-orientation has increasingly become an acceptable policy solution.

6.5.1. *Issue salience*

To begin, I determine if youth was a salient policy issue before the financial crisis affected the Danish economy. Evidence demonstrates this was not the case. Denmark had progressively reduced unemployed and increased employment through labour market reforms in the early 1990s. Consequently, it had one of the lowest unemployment rates in Europe before the crisis. Furthermore, youth unemployment was not a campaign priority during the 2007 parliamentary elections.²¹ A 2008 paper by The Danish National Labour Market Authority went as far as to state labour market reforms had “eliminated youth unemployment” (Hendeliowitz, 2008, 3).²²

Although youth unemployment was not high and the government and media did not regularly debate the issue, there are signs of dissatisfaction with the policy status quo. This

²¹ The main issues during the campaign were welfare, taxation, and children in asylum camps (Kosiara-Pedersen, 2008, 1043).

²² Despite this, the quality of employment, youth skill levels and immigration and minority employment remained issues.

dissatisfaction can be explained by the fact other salient policies on the legislative agenda are associated with youth issues. For instance, welfare reform was an issue during the 2007 election with parties on all sides seeking to present themselves as the guardians of the Danish welfare state by presenting means to sustain and develop the system (Kosiara-Pedersen, 2008, 1043). These issues are particularly important in Denmark due to demographic changes and increased demand for qualified labour.²³ Interviewees with knowledge of youth policies explain the welfare debate related to youth two ways. First, opposition parties and social partners feared drop out rates were too high and youth had insufficient skill levels (Folketinget, 2010d Interview LO-DA II, 2017, 59).²⁴ Second, interviewees stated the age youth transition to employment was a long-term issue. Danish youth typically finish education later in life and do not enter the labour market until the age of 25 or 26 (Interview LO II, 2017, 59).²⁵

These two issues directly relate to government objectives. The government's long-term economic plan during the period states illustrates this. The document includes the goal that "Danish supply of labour is to be among the ten highest in the world" by 2020 (Danish Government, 2010d, 11). One means for attaining this goal is ensuring youth finish education sooner (Danish Government, 2010d, 12-13). While this dissatisfaction with the status quo did not change the logic of action in Denmark, as I shall demonstrate, it did impact the direction of policy reform during the crisis by limiting the policy solutions to ones that increased labour supply.

6.5.2. Government response to the crisis

While not initially a salient issue, statistics show youth unemployment rose from 7.5% in 2007 to a high of 14.22% in 2011 (OECD, 2017). According to the OECD, the financial crisis "hit Denmark hard in 2008" by increasing "the number of workers at risk of being displaced" as well as "the risk that job losers will remain unemployed for an extended period, thereby threatening the viability of the entire social and labour market system" (2016, 52).

As the financial crisis began to affect the Danish economy, the government acknowledged the economic implications but aimed to maintain existing policy priorities. This included maintaining tax reform and increasing labour supply (Løkke Rasmussen, 2009; Danish Government, 2007, 2-4). To counteract the effects of the crisis, the government adopted a more expansionist fiscal policy as well as measures to prevent long-term youth unemploy-

²³ Labour supply has been a policy priority in Denmark since activation reforms in the 1990s (Danish Government, 2007, 4; Danish Government, 2010d, 16).

²⁴ Minority groups are particularly vulnerable in this regard.

²⁵ According to one report in 2008 80% of high school graduates opted for a gap year (Rychla, 2016).

ment.²⁶ This included Youth Packages I and II.

The two Youth Packages adopted in 2009 are the result of political agreements between the government, the Danish People's (DF), Social Democratic (S), and Social Liberal (RV) parties.²⁷ The policy agreements were negotiated in September and October 2009 and formally announced on November 5th, 2009 as part of the Finance Act. The policies were eventually adopted in two bills in 2010.²⁸

6.5.3. Ideational influence

Process-tracing points to the Youth Packages as examples of coalition formation and policy negotiation. Nevertheless, there is evidence of policy learning within these power-based dynamics. Learning is not primarily from external actors.²⁹ Instead, past national experiences and ministerial departments influenced the Youth Packages.

I find no evidence either the EU or OECD had any influence on the Youth Packages. EU recommendations and regulation may influence Danish politics, as I demonstrate with the Recovery Package. However, EU influence does not necessarily extend to all policy areas. According to an interviewee with knowledge of the process, the EU does not have a substantial impact on Danish employment or youth policy (Interview LO I, 2017, 46). The interviewee further explained this is because Denmark envisions itself as ahead of the curve on youth and employment issues due to longstanding traditions of active labour market policies and social protection. As such, ministries do not feel EU youth measures are intended for Denmark. To expand on this, when I asked interviewees about the EU and youth unemployment, their first response was often to explain how the issue affected Southern Europe and that was relatively non-existent in Denmark (Interview LO I, 2017; Interview UU Danmark, 2017; Interview STAR II, 2017).³⁰

Interviewees did state the OECD can be influential. For example, the OECD can have

²⁶ The government did recognize that "The increasing unemployment rate implies a special risk to young people" and would continue to act beyond the Youth Packages (Danish Government, 2010d, 12). Moreover, in his 2009 address to parliament, Prime Minister Rasmussen stated: "My 19-year-old son has no personal knowledge of youth unemployment. It must continue to be like that. It must remain an echo of the past. Just as long-term unemployment must remain an echo of the past. Everybody must have the opportunity to get a good education and training. But we must also, all of us, be prepared to use that education and training in different ways throughout life. And to continuously receive further training or to try a different tack. We must also continue to increase the effort to ensure that all young people complete a youth education program and thus achieve a basis for further education and training and a job. We cannot afford to lose anybody. And in particular not now when we have better opportunities to get hold of the young than we have had for many years." (Løkke Rasmussen, 2009).

²⁷ "More Youth in Education and Employment" (*Flere unge i uddannelse og job*) as well as a series of investments from Denmark's Globalization Fund.

²⁸ L 151, the Proposal for a Law amending the Act on Active Employment and Various Other Laws and L 194, the Proposal for a Law amending the Law on Education and Occupational Education, as well as various other laws.

²⁹ In an interview, Støjberg stated the Nordic Council could be a source of inspiration and feedback (Kvam, 2010a). However, I find no evidence this was the case for the Youth Packages.

³⁰ Even during the crisis, the government was quick to note the OECD published a report that "praises the Danish employment policy towards young people" (Google translation.) (Folketinget, 2010d).

agenda-setting influence on unemployment and education (Interview LO I, 2017, 52) and can be used as an impartial benchmark to highlight issues (Interview UVM, 2017). However, this influence did not extend to policymaking in this instance. Instead, evidence shows political parties were partially motivated to adopt the packages due to past national experiences. Policymakers shared concerns rising unemployment would lead to high levels of long-term youth unemployment as experienced in the 1970s and 1980s (Folketinget, 2010d; Folketinget, 2010e; Interview LO I, 2017; Interview LO II, 2017; Interview STAR I, 2017, 6-7).³¹ Despite concerns, interviews and documents show little evidence of uncertainty. Instead, I find a broad consensus to take action.

As the Youth Packages are the result of a coalition agreement between political parties, it is difficult to know to what extent there were discussions and analyses of alternatives before adopting the final policy solution. Evidence does, however, show the packages build on existing institutional knowledge. Youth packages have been used multiple times in the past. Denmark's first youth package was implemented in April 1996 to ensure youth under the age of 25 on unemployment benefits were rapidly placed in employment or education (OECD, 1998, 42). Youth packages also typically contain clear rights and responsibilities rhetoric. That is to say, although youth are entitled to education or activation measures, in cases of refusal benefits may be removed (OECD, 1998, 42-43). The packages announced in autumn 2009 are no different in this regard. Ministerial departments such as the Danish Agency for Labour Market and Recruitment (STAR) and departments within the Ministry of Education also used their knowledge to direct policy content.

The first Youth Package was a Ministry of Employment initiative. A civil servant at STAR explained two critical issues were at stake. First, an immediate offer for 18 to 19-year-olds was a priority. Second, funding was essential, especially for municipalities.³² The interviewee further explained the package was work, not education, oriented (Interview STAR I, 2017, 7). However, ensuring individuals from non-western backgrounds get an education was still an issue (Interview STAR I, 2017, 8). Although not referenced by political parties, I find evidence that STAR analyzed the effects of different measures on unemployed youth and how to better integrate them into education (Arbejdsmarkedsstyrelsen, 2009b) as well as the impact of varying activation measures on the unemployed (Rosholm and Svarer, 2010).

³¹ The spokesperson for one of the Youth Package bills specifically stated the government wanted to avoid the long-term effects of youth unemployment as occurred in Denmark in the 1980s (Folketinget, 2010e).

³² Significant administrative reforms implemented Denmark in 2007 and 2009 changed the provision of PES with local and regional administration begin merged into Job Centers at the municipal level. These changed mean municipalities play an important role, especially regarding funding and requests for sufficient funding.

Interviewees state the second Youth Package was not a direct response to the financial crisis but a reaction to pre-existing issues with NEET. In this way, the package is the result of longstanding political debates in Denmark on how to ensure youth transition into activity (Interview UVM, 95, 2017, 101-102). Other interviewees state the package was former Minister of Education Bertel Haarder's initiative and motivated by the belief that 15 to 17-year-olds were not active and could become social assistance claimants when they turned 18 (Interview UU Danmark, 2017, 122).³³ In this context, the crisis provided an opportunity for the government to introduce preventative measures such as increased guidance to ensure youth do not go "under the radar" (Interview UVM, 2017, 101). While these motivations are not necessarily related to policy learning, the second Youth Package also includes provisions for increased data as part of an initiative to ensure counsellors can make informed decisions on youth as well as for an evaluation of the package (Danish Government, 2009, 109). There is also evidence of continued learning as an evaluation of the second Youth Package to qualitatively and quantitatively assess the effects of the initiatives was conducted (Arbejdsmarkedsstyrelsen, 2012).

Process-tracing shows both packages were the result of a broad political consensus and ministerial input. Nevertheless, there is also evidence of conflict during the policymaking process with the Blue Coalition maintaining its interests over center-left political parties. This is explained in the next subsection.

6.5.4. *Competing interests and coalition formation*

Evidence shows policymaking for the Youth Packages was a power-based process. As no party had the power to unilaterally adopt the policy, multiple coalitions formed during the negotiation process. Each of these attempted to impose their policy preferences. Ultimately, the Youth Packages are the result of consensus between major political parties, but parties did not share the same interests and preferences. During parliamentary debates, the Liberal (V), Conservative People's (KF) and Danish People's (DF) parties were unreserved in their praise of the package, whereas the Social Democratic (S) and Social Liberal (RV) parties were not. The Socialist People's (SF) party and Unity List (EL) were also critical of the measures.

The Blue Coalition government and its ally, the Danish People's party, maintained the same policy stance on youth unemployment throughout the period. Namely, early activa-

³³ For instance, while political parties made it clear that they wished to learn from past experiences in youth unemployment, they also stated they wanted to ensure youth are "self sufficient" and to avoid youth turning to cash benefits (social assistance). For example, a Conservative People's party spokesperson for the employment elements of the Youth Packages stated, "For us, it is crucial that the municipalities intervene before the age of 18 and receive cash benefits" (Google translation) (Folketinget, 2010e). Furthermore, the agreement states youth between the ages of 15 and 17 should be active to avoid they enter cash assistance at the age of 18 (Danish Government, 2009, 118).

tion to reintegrate the labour market and education for the unskilled. For instance, when questioned on the government's efforts to counteract youth unemployment, Minister of Employment Inger Støjberg agreed youth employment was an important issue. She also outlined the government's policy objectives: that youth on public benefits receive quick activation and a regular education if they do not already have one (Folketinget, 2010d). In a newspaper interview, Støjberg stated:

“Denmark demands that youths must be activated. Education is the first priority for those who have not finished any education preparing them for a job. 18-19-year-olds who left secondary school and [sic] not gone into further education or work must be activated as soon as they approach the job centre”³⁴

(Kvam, 2010b). The Conservative People's party also made work and the notion of self-sufficiency clear priorities during policy debates (Folketinget, 2010e).

For younger youth (15 to 17-year-olds), prevention was an additional priority. Both the Ministers of Employment and Education made this clear, with Støjberg stating “education is the best vaccine against unemployment and the closest one is guaranteed to get a good working life”³⁵ (Folketinget, 2010d). Finally, supporting business interests, the government left the door open to create work-oriented measures that would provide employment experience for youth unable or unwilling to enter education. Støjberg explained the government believed youth should be given

“daily, ordinary tasks in the workplace. [...] The activation centre model helps lift the young person but it also means a lot to employees that businesses take social responsibility. One survey shows 70 percent of Danish businesses very much would like to take on young people and help them”³⁶

(Kvam, 2010b). The Conservative and Danish People's party maintained similar stances and were unreservedly supportive during debates for both bills (Folketinget, 2010e,f).

The Blue Coalition emphasized the cross-party nature of these agreements.³⁷ Nevertheless, other political parties expressed concerns over the packages. The main points of concern were not the objectives per se, but the means for attaining them. Means included the use

³⁴ Google translation.

³⁵ Google translation.

³⁶ Google translation.

³⁷ An example of this comes from Støjberg: “As announced, in November 2009, the government entered into an agreement on more young people in jobs and education, which provides even better opportunities for active and targeted efforts for young people to attend education or jobs. Again, it was a deal that was widely reached because both the Social Democrats and the Left Party were included. I would like to say that I think that it is a channel signal to send to the young people, regardless of whether you are red or if you are blue, this is something we will fight together” (Google translation) (Folketinget, 2010d).

of sanctions, the notion of forced education or work, changes to curriculum and the role of municipal organizations, as well as the overall level of investment.

Red Coalition members aligned more closely with education as a policy solution to youth unemployment than work or sanctions. For instance, the Social Democratic party (S) stated steps were being taken in the right direction. However, it maintained more action was necessary. For example, the S prioritized basic skills and education over “business practice” as party members argued education leads to positive long-term outcomes (Folketinget, 2010e). In addition, party members cited a Danish Trade Union Confederation (LO) and Employers Association (DA) report (2010) on long-term unemployment to emphasize the importance of basic skills. The S also made it clear it would have preferred to increase public investment, internships, and tuition for unemployment benefits but were unable to reach these concessions during negotiations (Folketinget, 2010e). The Social Liberal party (RV) maintained a similar position. The RV had few comments on the first package, but party members were vocal on education issues and stated their preference for collaboration with local officials and street-level bureaucrats to implement the second package (Folketinget, 2010f).

The most significant example of conflicting interests and actor strategies comes from the negotiation process for the second Youth Package.³⁸ Negotiations stalled in late October with both sides accusing the other of the delay (Hjortdal, 2009a). According to reports, the main point of contention was a proposal to cut child benefits for parents of 15 to 17-year-olds, not in education or employment. Although the provision was in the original government proposal, both the S and RV were against the measure and demanded its removal (Ritzau, 2009a).³⁹ Negotiations hit an impasse when Finance Minister, Claus Hjort Fredriksen, refused to remove the provision and the government proposed to adopt the measures with only DF support (Lehmann, 2009). The S and RV claimed this would have jeopardized the government’s welfare settlement (which the S and RV parties also negotiated) as well as the minority coalition government (Hjortdal, 2009b; Ritzau, 2009b). Regardless, with the DF party’s support, the government maintained a majority, which precluded pressure for an election.

³⁸ This process involved allocating funding from the “Globalization Settlement”, a fund for education, universities and research financed through a 2006 welfare settlement.

³⁹ In Committee reports, the S and the RV spokespeople state they are against the sanctions on child credit: “At the same time, the government and the Danish People’s Party proposal to punish parents by removing their child check if their children between the ages of 15 and 17 are not in employment or education removed from this bill. Social Democrat and Socialist People’s Party regrets that the government and the Danish People’s (DF) party implement the proposal itself as punishment by the parents will not bring a group of young people with typically both massive academic and social problems in education or work. It shows the experience of the government and Danish People’s Party’s proposal for financial punishment by parents if they do not send their children to school etc.” (Folketinget, 2010c) (Google translation).

As the debate spilt into the media, social partners stated they wanted broader consensus on the issue. According to news reports, Danish Industry (DI) requested the government reach a broad political agreement (Ritzau, 2009a). Negotiations did eventually proceed (Hjortdal, 2009a). Ultimately, neither the S nor the RV were able to leverage their resources to act as a veto player on the measures because the coalition government had the required majority with the DF party's support. Both the S and the RV eventually stated they supported the initiative as sanctions were not automatic (Folketinget, 2010f).⁴⁰ Moreover, disagreements remained such as the implementation of the education assessments and the role of guidance counsellors (Folketinget, 2010f). The S also made it clear that, along with social partners and various stakeholders, it wanted more education guidance for vocational education students (Folketinget, 2010f). These issues were addressed and clarified during the committee processes (Folketinget, 2010c). The provision continued to be a point of disagreement for the Socialist People's (SF) party and the Unity List (EL) during parliamentary debates (Danish Government, 2009; Folketinget, 2010f).

Although political parties manifested conflicting interests on the matter of sanctions for youth, the overall notion of education as a policy solution was more consensual. Opposing parties, including the S and SF, were able to gain concessions. For example, the S and SF parties claimed credit for certain initiatives during parliamentary debates (Folketinget, 2010f).⁴¹ Additionally, an Education Committee report (2010c) credits the S, RV, SF and EL for a new investment based on a failed proposal to create a flexible education program for 15 to 25-year-olds in February 2010 (Folketinget, 2010a).

6.5.5. Social partner and stakeholder influence

Evidence shows social partners and stakeholders were not part of the negotiation process for the youth packages. There is little evidence these actors influenced the policy-making process. They were, however, consulted before the adoption of both bills (Arbejdsmarkedsstyrelsen, 2010; Folketinget, 2010c). Findings additionally show interests of center-left parties correspond to those of trade unions and the interests of center-right parties align with those of business organizations.

The Danish Trade Confederation (LO) generally supported the Youth Packages and highlighted the importance of preventing long-term unemployment. The LO endorsed the no-

⁴⁰ Sanctions are implemented after an assessment of the individual.

⁴¹ "Firstly, there is now an assessment of educational readiness. We suggested that in SF for the first time almost a year and a half ago. [...] Today, the municipalities must be in charge of the guidance, but they are not obliged to provide offers. We also suggested that in SF [sic] also in our finance law game, which we presented last summer, because there is too often cassette thinking in it, also in the municipalities, and then the young man gets more chairs without a real education offer, and that's why it's really good that there is a liability position here." (Google translation) (Folketinget, 2010f).

tion of early activation. However, it did not support sanctioning youth by reducing the child credit for non-compliant individuals because it would negatively impact the most vulnerable (Arbejdsmarkedsstyrelsen, 2010, 1-2). The LO and Danish Social Workers further expressed their lack of support for the child credit being transformed into a youth benefit with possible sanctions for non-compliance in the media (Preisler, 2012).

The Danish Employers Association (DA) had few comments on the Youth Packages (Arbejdsmarkedsstyrelsen, 2010, 1). On the controversial matter of sanctions, the DA agreed it should be a tool individuals under the age of 30 who do not comply with reading and writing tests (Arbejdsmarkedsstyrelsen, 2010, 12). Interviewees from the DA and another employer association, Danish Industry (DI), explained employers have preferences for work-oriented strategies. An employee at DA stated there had been a change towards work-first approach in Denmark (Interview DA, 2017, 92). They further explained the DA had held the same position since the 1996 youth reforms: there should be incentives for youth to get an education and youth should not be on benefits (Interview DA, 2017, 80). The DI also has preferences towards training opportunities within companies rather than through short courses (Interview DI, 2017, 141).

Both the Social Affairs Council and the Danish Disability Organization supported youth package initiatives. They also expressed concern the packages would not help all vulnerable youth (Arbejdsmarkedsstyrelsen, 2010, 4). Finally, the municipal councils (KL)⁴² supported the spirit of the initiatives, but stated it had reservations as the legislation directly impacted municipalities (Arbejdsmarkedsstyrelsen, 2010, 3). Despite various comments from stakeholders and social partners, this did not lead to amendments for either bill.

6.5.6. *Financial constraints*

Financial constraints were a source of pressure during youth package negotiations. For example, the long-term effects of youth unemployment on the Danish labour market and welfare system. Nevertheless, findings do not indicate that funding was a major issue during policy negotiations. Even though certain parties demanded additional funding, no evidence that this affected the measure's viability was found. This is because a concomitant bill during this period addressed the issue of financial constraints, the Recovery Package.

6.5.7. *The Recovery Package*

In addition to investing in cyclical initiatives during the financial crisis, the government, supported by the Danish People's party, agreed on a Recovery Package. The package is

⁴² *Kommunernes Landsforening.*

a series of spending reductions and policy reforms to achieve structural balance by 2015 including UB reform (Danish Government, 2010b, 13). Unemployment benefit reform does not introduce a new logic of action in Denmark. It does, however, accelerate existing tendencies by reducing benefit generosity with the goal of ensuring individuals integrate the labour market more rapidly.

There is evidence UB reform was salient before the financial crisis. This salience is partially due to dissatisfaction with the status quo. Unemployment benefits have been reformed multiple times since the mid-1990s (Andersen, 2013, 200).⁴³ Multiple political parties advocated for additional reforms before the financial crisis. Nevertheless, significant political change typically requires a broad consensus in Denmark and the government was unable to gain the necessary majority to adopt the reforms (Interview LO I, 2017, 62). The financial crisis altered the situation and led to an atypical reform in which there was no broad consensus and little social partner participation. I argue the crisis created a window of opportunity for the government by changing the order of priorities for parties. This change in priorities allowed them to form a coalition for reform without alienating allies.

6.5.8. Interests and policy ideas for unemployment benefit reform

Although youth unemployment was not necessarily a salient policy issue before the financial crisis, welfare reform was. Confronted with an ageing population, vulnerabilities created by globalization and an increasingly expensive welfare state, Danish governments have initiated multiple commissions to modernize their welfare and labour market policies. Among various recommendations, commissions have singled out unemployment benefits for reform. To illustrate, commissions in 2003⁴⁴ and 2007 included recommendations to reduce unemployment insurance benefits (Velfærds Kommissionen, 2005; Arbejdsmarkedskommissionen, 2009). The most recent, a Labour Market Commission created in 2007 and composed mainly of economic and business experts, was tasked to find ways to address an increase in demand. It notably recommended the government reduce the UB period to two years. In addition, the commission recommended the government harmonize the benefit requirement and extend the qualification period (Arbejdsmarkedskommissionen, 2009, 81, 83). These recommendations are included in the final version of the Recovery Package.⁴⁵

The Labour Market Commission's final report shows signs of both policy learning and

⁴³ Authors explain this is the first severe cut to UB in Denmark that does not directly target immigrants (Andersen, 2013, 200).

⁴⁴ The Welfare Commission was composed of academics and experts as well as delegates from various ministries.

⁴⁵ The Labour Market Commission also considered increasing working hours as a possible solution. However, it is discounted because it would require legislation in a different policy area.

political influence. For instance, although not necessarily influenced by other nations, the commission report includes empirical evidence of UB reform in numerous countries (Arbejdsmarkedskommissionen, 2009, 93, 98). Moreover, it incorporates the changing economic context into its report by acknowledging Denmark's labour market has changed from a situation of a labour shortage to one of unemployment during the financial crisis. Despite this new information, the commission maintains unemployment reforms are the most efficient means of increasing employment, which remains a long-term objective.

Despite these signs of evaluation, evidence shows a political agenda also influenced the Labour Market Commission's recommendations. The commission explains there are three possible policy responses to maintain the welfare system: increasing taxation, reducing spending by limiting services and increasing labour supply. However, these solutions are not all explored because the commission's mandate was to find solutions that neither increased taxes nor limited services (Arbejdsmarkedskommissionen, 2008, 2). That is to say, policy alternatives existed, but experts were encouraged to analyze labour supply solutions.

Following the Labour Market Commission's preliminary report in 2008, the Blue Coalition initiated UB reform negotiations. At that time, there was insufficient political consensus for a majority agreement (Folketinget, 2010b). The issue remained salient,⁴⁶ but the Blue Coalition stopped supporting reform in this area. Evidence shows this change in preferences – despite having advocated for reform in early 2010 – was due to timing. For example, the Liberal (V) party stated UB reform was not the solution to Denmark's current issues. Inger Støjberg further stated “It is not the time”⁴⁷ for “significant changes to the unemployment benefit system”⁴⁸ (Folketinget, 2010b). The V justified the decision not to move forward with UB reform by the change in economic context from when the commission began in 2007. The minister also made it clear labour market shortages remained a policy priority for the party. The Conservative People's (KF) party spokesperson, Helle Sjelle, was even clearer on the issue: “it is due to a blend of the global financial and economic crisis and that simply - we must say - there is no majority to look at the unemployment benefits at

⁴⁶ For example, three deputies from the Liberal Alliance (LA) tabled a bill to implement the Labour Market Commission's unemployment benefit reforms in early February 2010 (Folketinget, 2010b). Despite the interest in UB reform, the bill was rejected by most parties in parliament with only LA voting for it and the Social Liberal (RV) party abstaining. That is to say, the Liberal (V), Conservative people's (KF) and Danish People's (DF) parties all changed positions in the interim. The Social Liberal party did not change positions. Their spokesperson, Morten Østergaard made it clear that a reduction of the UB period is part of the party's reform program (Folketinget, 2010b; Radikale Venstre, 2009, 12). However, their program also includes other measures not found in the Liberal Alliance's proposal.

⁴⁷ Google translation.

⁴⁸ Google translation.

this time”⁴⁹ (Folketinget, 2010b). Instead, policy priorities were reoriented to address the recession and to avoid long-term unemployment and deficits. Furthermore, the KF kept the door open for reform, stating, “Once the crisis is over, all responsible politicians must focus on reforms that increase labour supply and thus the number of self-sufficient Danes. That is the way, and so we certainly hope that there will be a majority to change among other things, the benefit period”⁵⁰ (Folketinget, 2010b).

Contrary to the coalition parties, the Danish People’s (DF) party was unequivocally against the reform. The DF stated the policy issue was not that Danes did not want to work and Bent Bøgsted, a DF party member, said he could “not see any reason to halve the unemployment benefit period. On the contrary, one should look at how to get better contact between the unemployed and the companies that have some jobs”⁵¹ (Folketinget, 2010b).

Finally, public opinion did not favour UB reform. It would become a critical issue in the 2011 parliamentary elections. Unemployment benefit reform was put on hold while parliament focused on legislating to resolve the effects of the financial crisis. This changed in May of 2010 during deficit reduction negotiations.

6.5.9. *Window of opportunity*

On May 19th, 2010, the coalition government published the Recovery Package to begin negotiations to reduce the deficit with other parties in parliament. In their initial proposal, the government stated it expected the European Commission would recommend they reduce public debt. The government was therefore “obligated” to decrease spending by 1.5% of GDP between 2011 and 2013, meaning DKK 24 billion over three years (Danish Government, 2010a, 6-7). Furthermore, the Blue Coalition contended that, although it had overcome the worst of the financial crisis, two challenges remained: paying the deficit accrued during the crisis and ensuring growth. Consequently, the government argued reducing spending was the best policy solution to achieve their goals while avoiding rising interest rates (Danish Government, 2010a, 5).

Evidence shows the Danish government did receive a European Commission preliminary report indicating Denmark had initiated the EU’s deficit reduction process under the Stability and Growth Pact on May 12th, 2010 (Skatteministeriet, 2010). However, the Blue Coalition fully expected the EU to recommend Denmark reduce the public deficit as early as February 2010. They also had specific information on what spending cuts

⁴⁹ Google translation.

⁵⁰ Google translation.

⁵¹ Google translation.

would be necessary. For example, a policy book published by the government in early 2010 states:

“We expect that in the course of 2010 Denmark will receive a recommendation from the EU to reduce the current deficit to less than 3 percent of GDP. The EU recommendation is expected to imply initiatives to strengthen public finances by approx. DKK 24 billion in the period 2011-2013”

(Danish Government, 2010d, 12).

In addition to external pressure, debt reduction aligns with the Blue Coalition’s policy agenda. The Blue Coalition set out its priorities in a 2007 government platform which lists maintaining a balanced budget, reducing public sector debt and increasing labour supply among its policy objectives.⁵² These objectives remained in the government’s 2020 long-term plan, released in February 2010 (Danish Government, 2010d). The Denmark 2020 strategy states:

“We must re-establish the balance in public finances and halt debt accumulation. It would be irresponsible of the government to leave the bill to future generations. In the light of the economic crisis, this implies that we must take action here and now as well as further action in 2011-2013 and the following years”

(Danish Government, 2010d, 12). The evidence demonstrates that, although the European Commission did submit a recommendation in early May, the government was aware of it and had already adopted spending reductions as a policy solution in early 2010.

Despite these policy preferences, the Liberal-Conservative Coalition was a minority government supported by the DF and a member of parliament from the Faroe Islands. In other words, it needed to negotiate with other parties to legislate, including the Recovery Package. The constitutional configuration of parliament and proportional representation electoral system consequently had powerful effects on policymaking. As the government needed allies to adopt their policy agenda, opposing parties could use their votes in parliament to negotiate their preferred policies.

Initiating negotiation proceedings, the government released a document representing its initial preferences, to which other parties added their counter-proposals. The document

⁵² “Up to 2010, Denmark must maintain a structural surplus on public sector finances of between 0.75 percent and 1.75 percent of GDP. From 2011 to 2015, the budget must at least be balanced.” “Public sector EMU debt will be further reduced over the period leading up to 2015. By virtue of the surplus in the public sector finances, a public sector net credit accrues. This is to contribute to the funding of the public spending incurred by the ageing of the population.” The government also promised to “launch a significant effort to move even more people from transfer income to employment” (Danish Government, 2007, 4).

stipulated it must reduce spending by a total of DKK 24 billion and the agreement should be adopted before the summer recess to ensure the government could maintain its autumn legislative agenda (Danish Government, 2010a, 16). It did not include UB reform. Instead, it reduced spending through a variety of measures including postponing tax reforms, altering public expenditure priorities, suspending the automatic indexing of transfer payments, as well as lowering ministerial and municipal budgets (Danish Government, 2010a, 10-12).

Once negotiations began, the government quickly aligned itself with the Danish People's party to agree on a reform proposal put forward by the Minister of Employment on May 25th. During parliamentary debates and commission meetings, the proposal garnered additional support from the Social Liberal (RV) party and the Liberal Alliance (LA). Parliament adopted the reform on June 16th.⁵³

6.5.10. Hierarchy of interests and coalition formation

Actors formed various coalitions during the Recovery Package debate. First, there was the government coalition between the Liberal and Conservative People's parties. Second, parties that supported deficit reduction could act as potential government partners. These actors included the Danish People's party, Social Liberal party and the Liberal Alliance. Third, there were clear opponents to the Recovery Package that proposed significant changes to the document, including the Social Democratic and Socialist People's party as well as the Unity List.

Despite different coalitions and policy alternatives, the coalition government cooperated with the Danish People's party who acted as a support to the minority government. Consequently, there were significant changes between the initial and final Recovery Package proposals. These differences provide insight into what issues areas were priorities for these parties and may have crowded out interest for the generous UB system.

Findings indicate that the Blue Coalition and DF prioritized tax reduction, healthcare and municipal funding. For example, these actors adopted the "Spring Package 2.0" in early 2009, which included tax reforms (Finansministeriet, 2009a). They preferred to maintain tax reform by freezing the reforms, rather than abolishing them, to provide the necessary funding.⁵⁴ New interests found in the second proposal include healthcare and municipal funding. A representative for the DF stated in April 2010 that health and public welfare

⁵³ The government voted for the reform, alongside the DF party, RV party and the LA. The Social Democrat (S), Socialist People's (SF) part and the Unity List (EL) voted against the reform.

⁵⁴ The Danish Economic Council published a report stating, if public expenditure restraint and labour market and retirement reforms were not adopted, raising taxes would be necessary (Danish Economic Council, 2010, 349).

were priorities (Ritzau, 2010). For instance, healthcare increases, although singled out in the initial government report for the Recovery Package, have specific budgets earmarked in the final proposal (Danish Government, 2010c, 5). The final proposal also exempts municipalities from spending reductions to ensure they can maintain welfare expenditures (Danish Government, 2010c, 7-8).⁵⁵ In exchange for these priorities, the new agreement makes overall restrictions on public expenditures and cuts in services. Regarding youth, the Recovery Package abolishes holiday pay for graduates entering the labour market (Danish Government, 2010c, 23). The package also proposes to reduce the unemployment benefit period to two years, increases the work-period to qualify for benefits and changes the way benefit levels are calculated (Danish Government, 2010c, 11-12).

As explained, the decision to incorporate the Labour Commission's recommendations to the second Recovery Package proposal was not entirely due to a change of interests. The government had previously stated UB reform was on the policy agenda but had never been able to gain a majority to legislate on the issue. Two other parties, the Liberal Alliance and the Social Liberal (RV), also advocated these reforms. They had presented proposals for UB reform in 2009 (Folketinget, 2010b; Radikale Venstre, 2009, 12).⁵⁶

The sudden addition of UB reform to the Recovery Package caused the public to accuse the Liberal and Danish People's parties of breaking promises. The Liberal party defended their change in position by stating it was unaware of EU demands when it made those promises (Folketinget, 2010h). As explained, evidence confirms this was not the case. Finance Minister Claus Hjort Frederiksen also argued reducing spending was a government priority due to the crisis (Finansministeriet, 2010) and defended the unpopular cuts as an economic necessity (Frederiksen, 2010). Although the V and KF had clear preferences for debt reduction, evidence shows neither coalition party proposed UB reforms in the Recovery Package. The DF did.

According to newspaper articles and interviews, negotiations between the government and DF party had stalled over disagreements on the freeze in transfer payments. In an unexpected move, Kristian Thulesen Dahl, at that time Chairman of the Finance Committee and co-chair of the DF, went to Prime Minister Frederiksen on May 24th to propose UB reforms instead of transfer payment freezes (de Vera Hindkjær, 2013, 62-63; Interview DI,

⁵⁵ They do, however, expect municipalities to reprioritize and better utilize their resources.

⁵⁶ The RV party's plan also contained significant investments not in-line with the government's interests. During parliamentary debates, the Social Liberal party supported the new measures and cited the Welfare and Labour Market commission's as well as the Economic Council for having similar recommendations (Regering, 2010a; Folketinget, 2010g). Nevertheless, it also stated they would have preferred a gradual implementation as well as a more engaged process with other political parties and social partners (Regering, 2010a). Moreover, party leader Margrethe Vestager forcefully disagreed with other cuts including in education (Hjortdal, 2010).

2017, 137).⁵⁷ In later newspaper interviews, Dahl does not deny his role in the Recovery Package reform despite promising not to cut UB in 2008 and 2010 (Bæksgaard and Aagaard, 2013). He justified the change in preferences by the economic crisis. In other words, the changed financial situation made the DF more accepting of UB reform and their priorities remained for welfare payments.

The Recovery Package outlines the rationale for UB reform. The Blue Coalition and DF argue the reforms will increase employment, ease long-term labour shortages,⁵⁸ and use the impact of UB benefit period reduction in the 1990s as evidence for this (Danish Government, 2010c, 13-14). Interestingly, the Recovery package does not cite either Welfare Commission or Labour Market Commission reports. Economic expertise and commission recommendations are, however, present in parliamentary debates. Both the Liberal and Conservative People's party representatives cited OECD evidence of a correlation between labour supply and employment as justification for the changes (Folketinget, 2010h,g). Minister of Employment, Inger Støjberg also mentioned Welfare and Labour Market Commissions as well as Economic Council recommendations as justification for the reform (Folketinget, 2010h,g). Finally, past UB reforms in 1994-5 and 1998 were used to justify the decision (Folketinget, 2010g). For example, Inger Støjberg argued:

“The experience of shortening the unemployment benefit period through the 1990s is that people increase search activity and find employment on their own before the end of unemployment benefits. Therefore, the shortening of the unemployment benefits system is also expected only to affect the number of unemployed who fall out of the unemployment benefit system marginally”⁵⁹

(Beskæftigelsesministeriet, 2010b).

Despite existing research on UB reform and the government's confident rhetoric, evidence shows signs of uncertainty during negotiations. In response to a question, Inger Støjberg admitted the number of people that will not qualify for UB or social assistance (SA) “is estimated with considerable uncertainty”⁶⁰ (Beskæftigelsesministeriet, 2010a).⁶¹ This un-

⁵⁷ Later, unsatisfied with the UB reform, Dahl stated he regretted the reform and approached Helle Thorning Schmidt to propose extensions under the Red Coalition government (Olsen, 2015; de Vera Hindkjær, 2013, 64).

⁵⁸ The report explicitly states that employment should increase by 11,000 (Danish Government, 2010c, 13-14) The Recovery Package document also states the measures begin in 2010 but should only take full effect in 2013, when unemployment is declining, and labour market shortages are expected due to demographic trends (Danish Government, 2010c, 11-12).

⁵⁹ Google translation.

⁶⁰ Google translation.

⁶¹ The reform did indeed cause problems for many years. As Kvist explains, the slow economic growth following the financial crisis led to many more people on UB and eventually when their benefits expired potentially on SA. To avoid these unemployed entering social assistance, a series of temporary measures were adopted (2015, 8) and a set of temporary measures were placed as stopgaps. A member of DI stated the issues were only resolved after another

certainty notwithstanding, the Recovery Package does follow expert advice, and political parties cited external experts during debates. Moreover, it recognizes the change in economic context due to the financial crisis by stating a mechanism could be put in place to allow temporary benefits for up to one year at times of high unemployment (Arbejds-markedskommissionen, 2009, 81).

Opponents of the reforms also formed coalitions. The strongest of these was the coalition between the Social Democrat and Socialist People's party. These actors presented an alternative proposal, "A Fair Solution".⁶² These parties argued in favour of public investment, enhancing tripartite negotiation, increasing working hours and retirement as well as education reform. The proposal gained support from the KL, the interest organization for Danish municipalities, and the Danish Confederation of Trade Unions (LO) (Mainz, 2010; LO-DK, 2017).

Ultimately, the Social Democratic and Socialist People's parties both voted against unemployment insurance reforms. These parties and the Unity List argued the changes would deteriorate Denmark's flexicurity system and negatively affect the unemployed and force them into cash benefits (Regering, 2010b). They also claimed it would reduce labour market flexibility and job matching, and that the government had no proof UB reform would increase employment (Folketinget, 2010g). The S and SF additionally promised to reverse these cuts if they formed the next government (Regering, 2010b).

6.5.11. Social partner influence

Social partners were not part of Recovery Package negotiations. As other authors have noted, this maintains a trend of social partner exclusion since 1993 (Andersen, 2013, 200). Despite this, interviewees stated employment is an area of consensus for both the government and social partners (Interview LO II, 2017, 62). In Danish tripartite collective bargaining, this means the Danish Confederation of Trade Unions (LO) and the Confederation of Danish Employers (DA). In the case of the Recovery Package, trade unions did not support the reform whereas significant employer organizations did.

Even though LO did not support UB reform, according to interviews the organization feels there is a need to put pressure on the employed. This need for pressure is explained for two reasons. First, high production levels are necessary to maintain the welfare society. Second, foreign labour could create downward pressures on wages and organizations. Despite social partner agreement that pressure should be put on the unemployed to re-enter the labour

commission was created and UB was reformed in 2015 (Interview DI, 2017, 138).

⁶² En fair løsning.

market, trade unions, including the LO and the Confederation of Professionals in Denmark (FTF) opposed the reforms.⁶³ After the reform was adopted, LO was especially critical of the government's lack of investment to counteract the effects of the financial crisis. They stated average citizens were unfairly being given the bill for the crisis (LO-DK, 2010). The LO's support of the counter-proposition, "A Fair Solution" marked the first time since 2001 the trade union formally backed the Social Democratic party (Nilsson, 2010). The FTF was also critical of the government's initial policy proposal (FTF, 2010). It stated that, although making unemployment insurance an attractive option is important, it disagreed with the Labour Market Commission's recommendation to halve the benefit period (FTF, 2009).

The LO, FTF and other trade unions rallied their members. Between 40,000 and 80,000 protesters demonstrated in front of parliament in June (Politiken, 2010; Sæl and Albæk, 2010; LO-DK, 2010).⁶⁴ Trade unions also stated they would retaliate by making strenuous demands during the next planned collective agreement negotiations (Brandstrup, 2010). Although these tactics did not stop UB reform, they did create tensions. During debates on the reform, the Liberal and Socialist Liberal parties criticized the Social Democrat and Socialist People's party for their opposition plan (Folketinget, 2010h,g). They were also critical of the alignment between the S and SF parties and the LO as well as the influence of the then chairman, Harald Børsting (Brandstrup, 2010).

Despite the alignment between the S, SF and LO, these actors were unable to negotiate a different reform. An interviewee working for a trade union stated that their influence is most significant during Liberal governments because they are necessary to help convince the Social Democratic party (Interview LO II, 2017, 74). The dynamic is explained as one in which the DA is expected to deliver the Liberal and Conservative People's parties whereas the LO is expected to provide the Social Democrats. Meaning if social partners find common ground, the main political parties usually also agree (Interview LO II, 2017, 74). However, social partners explained that negotiations have become more difficult as they are not necessarily sure of where new political parties stand on specific issues, they do not know what their interests are because these parties do not always have a full program (Interview LO II, 2017, 74). This new dynamic can lead to *ad hoc* agreements and reforms (Interview LO II, 2017, 75). In this case, the Social Democratic party and the trade unions did not agree on the reform and had little power to stop it.

⁶³ The reforms affected LO members (60% of which are in the private sector and 40% of which are in the public sector) (Interview LO II, 2017, 44-54).

⁶⁴ Students and teachers also protested the Recovery Package, which reduced education funding.

Although not formally consulted, the DA agreed UB reform was necessary and advocated for additional structural reforms such as increased working hours and retirement reform (DA, 2010). An interviewee at DA with knowledge of the 2010 negotiations stated that it was a political process. However, the DA was in favour of reducing UB duration. This support can be explained by the DA's overall position as a lobbyist, which is twofold. First, the DA is of the opinion unemployment benefits and social assistance should be lower than collectively bargained wages. Second, they argue unemployed individuals should reenter the labour force as quickly as possible (Interview DA, 2017, 79). DA advocated in favour of cutting UI and had held that position for some time (Interview DA, 2017, 83). The interviewee also noted the financial crisis did not affect actor positions. Instead, it represented a window of opportunity to pass changes that actors had been advocating for years (Interview DA, 2017, 83). That is to say; the budget was not so much of the issue as ensuring incentive structures were efficient and policies cost-effective (Interview DA, 2017, 83). Furthermore, the interviewee explained the Social Democratic party is usually a powerful actor concerning unemployment and social assistance issues and that the lack of a broad consensus was unusual (Interview DA, 2017, 84).

A member of the Confederation of Danish Industry (DI) also confirmed the Recovery Package was mainly a political agreement, and social partners were not directly involved. However, the same interviewee explained the DI's interests were well known as the issue was debated for many years (Interview DI, 2017, 137).

6.5.12. *Financial constraints and crowding out*

Evidence shows financial constraints were an essential factor affecting reform. However, these constraints did not wholly impose themselves on the government. The Recovery Package was not a planned initiative in the sense the coalition government adopted it in response to deficits accrued during the financial crisis. That being said, the government was aware the EU would issue a debt reduction recommendation and the government already intended on reducing spending.

Once the government officially received the recommendation, the package was fast-tracked to be adopted before the summer recess. This was justified by the need to maintain the existing policy agenda (Danish Government, 2010a, 16; Danish Government, 2010c, 15-16). That is to say, while other policy priorities did not necessarily crowd out these reforms, scheduled priorities accelerated the policy adoption process. These include tax reform, early retirement, labour market and education reforms.⁶⁵

⁶⁵ For example, Prime Minister Lars Løkke Rasmussen stated: "The government is at the same time the guarantor of a responsible tax policy. We did not allow ourselves to be talked into a false dilemma between tax cuts and welfare."

Civil servants also acknowledged the government's preference for spending cuts and their ideological position on welfare. One interviewee stated the center-right government does not wish to spend on people perceived as lazy. However, when the department is proactive and promotes evidence-based policies there is a wide appeal (Interview STAR II, 2017, 189).

6.5.13. Conclusion

Process-tracing demonstrates the Youth Packages and the Recovery Package were largely political exercises in which social partners and stakeholders had little role. Institutional factors created an environment in which political parties could promote their interests by forming coalitions. In this way, Denmark's constitutional framework was a significant factor in both policymaking processes as it conferred enormous power to political parties by allowing them to negotiate reforms with coalition government.

As a minority government, the Blue Coalition did not have the power to impose reforms unilaterally and needed to negotiate with other parties. In the case of the Youth Packages, opposition parties used their power resources to influence the policy debate and the Social Democrats and Social Liberal party were successful in attaining some of their interests. These concessions notwithstanding, the packages were the result of a consensual policymaking process leading to political agreements from across the aisle.

Despite their success during the Youth Package bargaining process, the Social Democrats were unable to convert their power resources during the Recovery Package debate. Instead, the government maintained its policy agenda with the support of the Danish People's party, who acted as a potential veto player during this period. Compatible interests between the government and the DF allowed them to find common ground on unemployment benefit reform. The government wanted to maintain tax reform and reduce spending. The Danish People's party also had a vested interest in preserving tax cuts. Although the decision to reduce unemployment benefits did not immediately align with the DF's interests, faced with freezes on transfer payments that would have affected their constituents, it preferred the alternative of UB reform.

There is some evidence of ideational influence as expert recommendations partially motivated UB reform. However, policy learning was not a crucial factor in the policymaking processes analyzed. For example, the findings demonstrate expert commissions were influenced by a political agenda. There are signs the decision to reduce spending in the

On the contrary, we have combined a tax freeze and tax relief with further development of the welfare society" (Løkke Rasmussen, 2009).

Recovery Package was affected by outside influence. But this influence was not ideational. Instead, the Blue Coalition used the EU's authority as a means of defending their existing policy agenda. External actors, including the OECD and policy experts, were also used to justify the decision to reform unemployment benefits.

6.6 The Red Coalition Government

In September of 2011, after nearly ten years of Blue Coalition governments, the Red Coalition regained power, and Helle Thorning-Schmidt became Denmark's first female Prime Minister. Like the previous government, the Red Coalition adopted both cyclical and structural reforms. These include a fourth Youth Package, cash benefit and vocational education and training (VET) reforms.

As in the previous period, the center-left alliance primarily adopted a blend of supply-side incentives. Policies during this period also include subsidized employment incentives, as visible in Table 6.5. The Red Coalition government maintained the same logic of action as the previous period. That is to say; it reinforced obligations for youth and adopted policy solutions that emphasized education as a route to long-term employment.

6.6.1. Cyclical reforms

The Red Coalition's 2012 budget included a Youth Package. The package invests in eight projects and contains two different strategies. The first strategy educates unskilled youth. The second strategy provides educated youth access to the labour market.

For youth without adequate training, the package funds a policy called "Building bridges to education",⁶⁶ as well as apprenticeship consultants, grants for businesses that hire adults in education, education groups for long-term skilled and unskilled unemployed youth (Uddannelses - og Forskningministeriet, 2012). For youth with skills, funding is allocated for the transition into or back into employment through strengthening job rotation,⁶⁷ a trade pilot scheme, strengthening a knowledge pilot scheme and partnerships to help school-leavers find employment⁶⁸ (Preisler, 2012; STAR, 2016a). Overall, the Youth Package includes employment services, upskilling and job subsidies.

Additionally, the Red Coalition increased funding for existing policies during their mandate. For example, the trainee effort for graduates⁶⁹ ran from January 2012 to March 2014

⁶⁶ is a short-term initiative (2013-2014) that consists of 12 policy experiments to understand how to reinforce educational measures for vulnerable youth under 30 and transition into employment (Beskæftigelsesministeriet, 2014, 18).

⁶⁷ Job rotation schemes enable unemployed individuals to temporarily take an employees' job at normal wage conditions in either the private or public sector while the latter participate in short-term skills updating (Beskæftigelsesministeriet, 2014, 24).

⁶⁸ *Dimittendjob*.

⁶⁹ *Trainee-indsats for dimittender*.

Table 6.5: Red Coalition Activation Incentives

		Incentive Mechanism			
Labour Market Lever	Negative Financial Incentives	Positive Financial Incentives	Organizational Human Capital Incentives	Concrete Human Capital Incentives	
Demand-Side	I <i>Incentives to encourage employment</i>	III <i>Subsidized employment Youth Package CB reform</i>	V <i>Administrative Services</i>	VII <i>Company Training</i>	
Supply-Side	II <i>Increased incentives for labour search CB reform</i>	IV <i>Fiscal incentives CB reform</i>	VI <i>Employment Services Youth Package</i>	VIII <i>Upskilling Youth Package CB reform VET reform</i>	

and provided graduates of higher education or a polytechnic degree with a traineeship. The objective is to provide professional and business orientation to an otherwise academic profile and help create a network in the labour market.

In 2013, 51 new Internship Centres were also created for youth apprenticeships in VET colleges (Beskæftigelsesministeriet, 2014, 23). These internships represent supply-side positive human capital incentives. Another short-term policy was the Trade Pilot Scheme.⁷⁰ Under this initiative, the Danish government-funded policy experimentation between 2013 and 2015 to help SME “connect with young people under 30 years with a vocational education to the labour market by hiring them to create innovative solutions and knowledge in the businesses during a period of 6-12 months” (Beskæftigelsesministeriet, 2014, 21). These policies represent upskilling and job subsidy incentives.

6.6.2. Structural reforms

During their time in government, the Red Coalition adopted two structural reforms on youth employment. First, it reformed cash benefits (CB) for individuals on social assistance. Second, it reformed the vocational education and training (VET) system.

In 2013, cash benefit reform⁷¹ modified benefit reciprocity for individuals on social assistance according to age and education. The reform is meant to focus on early intervention and activation to reduce “inactivity traps” for individuals under the age of 30 (Beskæftigelsesministeriet, 2014, 16; OECD, 2016, 112-113).⁷² Consequently, education is increasingly an obligation for people under 30 in Denmark to access social benefits. The new legislation first specifies individuals between 18 and 29-years-of-age must meet different requirements than those 30 and older (Beskæftigelsesministeriet, 2014, 16). Second, youth under 30 are divided into two categories according to educational attainment (Kvist, 2015, 9).

⁷⁰ *Fagpilotordningen.*

⁷¹ *Kontanthjælpsreform.*

⁷² If an individual between the age of 18 and 29 is enrolled in a UB fund, they are entitled to unemployment benefits and a Job Center interview within the first month of the request as well as an offer of activation after 13-weeks of registering for unemployment (Beskæftigelsesministeriet, 2014, 16).

Under the new policy, individuals under 30 requesting cash or education benefits must be interviewed at a Job Center within seven days of their initial request for aid. They must also actively search for employment and are provided with either a “usefulness job”⁷³ for a maximum of 13-weeks, training with a business, or a wage subsidy job⁷⁴ after three months of fruitless labour search (Beskæftigelsesministeriet, 2014, 16). Youth who do not meet educational attainment requirements must be enrolled in education within the first month following their request (Beskæftigelsesministeriet, 2014, 16). They may also receive human capital investment in the form of skills upgrading.

The reform contains various activation incentives, the two most prominent being increased incentives for labour search and upskilling. First, it provides clear negative supply-side financial incentives in the sense benefits are cut, and new conditions are applied. Second, despite reinforced conditionality, the reform also includes upskilling incentives by better directing youth to existing education programs akin to student grants. Additionally, the policy contains positive supply and demand-side financial incentives such as wage subsidies paid to employers who hire youth and usefulness work. It also provides positive supply-side financial incentives for individuals who participate in the form of financial benefits (STAR, 2017, 2016b). Although employment subsidy incentives are included in Table 6.5, officials in the Danish government and social partners confirmed that job subsidies are not a standard policy tool in Denmark. The policy does, however, seek to increase benefit levels for the most vulnerable youth by providing financial incentives, as seen in Table 6.5.

In 2014, the Red Coalition reformed VET. The reform, called “Better and More Attractive VET”,⁷⁵ has the overall objectives of encouraging more youth to enter and navigate VET, as well as providing opportunities for further education after VET (Beskæftigelsesministeriet, 2014, 14). Building on a 2012 agreement, VET reform also modifies internships and provides more student guidance. The reform aims to increase the quality of education by reinforcing the link between study and work. It also imposes minimal skills requirements for Danish and math (Danish Government, 2014a, 14). These requirements are meant to ensure youth increase their capacities and eventually join a VET program by creating alternative courses for those who do not qualify due to new admission requirements (Danish Government, 2014a, 15-17). The reform also has the goal of providing “practice-oriented education” and linking “the learning processes during schooling and internship periods” (Danish Government, 2014a, 19). While these are not entirely activation reforms, they

⁷³ *Nyttejob.*

⁷⁴ *Løntilskudsjob.*

⁷⁵ *Erhvervsuddannelsesreformen.*

do provide clear upskilling incentives and increased guidance through employment services. The new entry requirements are a negative condition, but they have no financial impact.

6.7 Theory Testing and Narrative

The Red Coalition government adopted a series of policies affecting youth during the period. In this section, I test the hypotheses on the policymaking process for the fourth Youth Package and cash benefit reform. These policies are chosen because they directly impact youth.⁷⁶

As with the Blue Coalition government, the policies represent continuity and acceleration in the dominant logic of action. Youth are still allowed to participate in social programs and to receive transfer payments. However, reforms reduce benefit levels with the intent of avoiding youth benefit dependency. Furthermore, policymakers continue to promote education as a vital solution to unemployment.

6.7.1. *Issue salience*

Evidence shows youth unemployment remained a visible issue despite the change of government. Although not specifically mentioned in individual political party manifestos, the Social Democrat's and Social People's joint-party program includes youth unemployment (S & SF, 2011) as does the Government Basis between the Social Democrats, Social Liberals and Socialist People's parties (Danish Government, 2011a, 9). Prime Minister Helle Thorning-Schmidt also referenced youth unemployment in her opening remarks to parliament (Statsministeriet, 2011). Youth employment and education remained important issues during the first three years of government with investments in new and existing programs, cash benefit reform and educational reforms.

There is evidence of dissatisfaction with the policy status quo. This dissatisfaction comes in two main forms. First, as in the last period, members of parliament from different parties emphasized the repercussions youth unemployment may have on Danish society. High youth unemployment, therefore, continued to be a general issue affecting the economy and long-term sustainability of the welfare state. Second, policymakers underlined youth have responsibilities within society. Evidence of this is found in measures put forward by the Red Coalition government and in parliamentary debates which highlight individual responsibility. For example, in her New Year's Speech, Prime Minister Thorning-Schmidt explained youth must be held responsible as citizens and contribute positively to society.

⁷⁶ The Red Coalition also adopted VET reform, but education is not the main focus of this dissertation. The government also adopted activation reforms. However, these do not only affect youth.

“Many - myself included - find it offensive if there are some who do not contribute their share. Or actually abuse the system. The balance between security for the individual and the obligation to contribute is the very basis of our welfare society. And this balance is at risk when young, healthy people can continue to receive public benefits for years and years. When this is the case, both the individual and society have failed. It is not fair.”⁷⁷

(Statsministeriet, 2012a).

As demonstrated in the previous section, political parties also expressed discontentment with youth unemployment during the Blue Coalition. For instance, the Social Liberal (RV) party expressed dissatisfaction with the policy status quo in parliamentary debates numerous times (Folketinget, 2010b) and proposed unemployment reforms including on activation in 2009 (Radikale Venstre, 2009, 13). The RV also supported education reform is a policy priority (Radikale Venstre, 2009, 16-17).

Within this dissatisfaction, there is little evidence of uncertainty from policymakers. For example, according to an employee at the Ministry of Education (UVM), over the past five years, education has been promoted as a policy solution and ministries have created policies to prepare youth for schooling (Interview UVM, 2017, 95). Furthermore, coordination between the Employment and Education ministries is fluid (Interview UVM, 2017; Interview STAR II, 2017) and both ministries agree education is one of the most reliable indicators of long-term well-being (Interview UVM, 2017, 96). The interviewee also indicated this is not necessarily a consequence of the financial crisis (Interview UVM, 2017, 95). Instead, the trend, which the interviewee acknowledged has existed since the mid-1990s, is described as an acceleration (Interview UVM, 2017, 96). Between 2011 and 2012, the Ministry of Employment has become more focused on how to push more youth toward education (Interview UVM, 2017, 96). The interviewee stated they believed the source of the acceleration was political (Interview UVM, 2017, 96). It is important to note that education attainment for minority and immigrant populations as well as boys have been a policy priority in Denmark for many years.

In addition to promoting education as a policy solution, the Ministry of Employment highlighted the importance of activation reform. Interviewees within the Ministry of Employment confirmed the Minister of Employment under the Red Coalition government, Mette Frederiksen, was an influential minister who entered the position wanting to overhaul activation policies (Interview STAR II, 2017, 184). This is elaborated on in the subsections on cash benefit reform.

⁷⁷ Youth are not the only population targeted for abusing the system.

6.7.2. Ideational influence for the Youth Package

The government first made its intention for a Youth Package public in a long-term economic plan published in May 2012 (Regering, 2012, 8). A series of announcements followed such as prioritizing it in the government's legislative agenda and including the package in the 2013 budget (Albæk, 2012; Bonde and Burhøi, 2012).⁷⁸ The final agreement between the Social Democrats (S), the Socialist People's (SF), and the Social Liberal (RV) parties, as well as the Unity List (EL) was concluded as part of the 2013 Finance Act (Beskæftigelsesministeriet, 2012a).

As explained in the previous section, youth packages have a long history in Denmark. The fourth Youth Package is no different in this regard. It builds on earlier initiatives including those by the Blue Coalition. Although the government states it is implementing new initiatives, findings show existing efforts and debates influenced policy measures. For example, the availability of apprenticeships and internships have long been a point of discussion between the government and social partners⁷⁹ and were an issue under the Blue Coalition government (Beskæftigelsesministeriet, 2017). As with the previous period, evidence shows the primary ideational influence for the new policies was internal.

Findings indicate the Danish Agency for Labour Market and Recruitment (STAR) played a vital role in this process. This agency conducts and outsources employment policy analyses, including analyses of youth activation measures. STAR, therefore, informed policy initiatives through evidence-based policymaking and randomized trials (Interview STAR II, 2017, 172). Municipalities also have the practice of gathering information on youth claimants to better guide them (Interview UU Denmark, 2017, 132). These analyses fed into the formulation of the Youth Package. Initiatives in the Youth Package including job rotation, "Building Bridges to Education", and the professional pilot scheme all include learning from existing policies and trials.

One instance of policy learning comes from job rotation schemes. The Blue Coalition also adopted job rotation to enable unemployed individuals to temporarily take an employees' job at normal wage conditions in either the private or public sector while the latter participated in short-term skills updating (Beskæftigelsesministeriet, 2014, 24; Beskæftigelsesministeriet, 2017).⁸⁰ Before increasing this scheme, STAR conducted efficiency analyses. For instance, a 2011 report commissioned by STAR analyzed the effects of private wage sub-

⁷⁸ "We must help those out of work. [...] That is why we are giving thousands of young people new opportunities in the form of job rotation, bridging to education, or as adult apprentices." (Statsministeriet, 2012b).

⁷⁹ Internships were also part of VET reform between 2012 and 2014.

⁸⁰ The policy is further divided according to unemployed: skilled and unskilled workers and unemployed with higher education.

sidies such as these and was used to defend further investing in job rotation in the fourth Youth Package (Rosholm and Svarer, 2011).

The “Building Bridges to Education” initiative can also be understood as a new policy influenced by existing measures. An interviewee stated it represents the Ministry of Employment’s attempt to create a program that could be used by municipalities as a blueprint for future initiatives (Interview UVM, 2017, 105-106). Another interviewee confirmed the policy was designed to enable municipalities to learn from each other (Interview STAR II, 2017, 179). To accomplish this, STAR and the Ministry of Children and Education commissioned an analysis of existing bridge-building initiatives in Denmark (Deloitte, 2012). The report also provides recommendations for future programs. An interviewee working at STAR explained this it is one of the most successful projects they had worked on (Interview STAR II, 2017, 179).⁸¹

There is also evidence of policy learning in the professional pilot scheme, which provides subsidies for SME to hire newly-educated craftsmen. The pilot scheme operates on the same logic as another trial, the knowledge-based pilot scheme for academics. The knowledge-based pilot scheme for academics provides subsidies for SME that hire graduates and was given additional funding under the Blue Coalition’s third Youth Package (Beskæftigelsesministeriet, 2017). Interviewees at STAR explained projects may get additional funding if they prove to be efficient. They also explained and that, in negotiations, knowledge-based arguments are the most effective (Interview STAR II, 2017, 181). The continued funding of these pilot schemes lends credence to these statements.⁸²

Despite the presence of policy learning, there is no evidence either the EU or OECD influenced the Youth Package. Although the EU does fund municipal-level programs through the ESF (Interview STAR II, 2017, 181), there were no signs of EU funding influence. As previously explained, although the EU may influence Danish policy, this does not necessarily extend to youth issues. Evidence further supporting this is found in Denmark’s 2014 support of the EU recommendation for a youth guarantee. The Danish government supported the initiative and produced a Youth Guarantee Implementation Plan. However, this did not affect policy as Denmark already fulfilled the requirements (Beskæftigelsesmin-

⁸¹ That being said, according to interviewees, these types of blueprint initiatives are not always useful for municipalities. This is because these initiatives are based on existing programs that municipalities are already aware of. Furthermore, interviewees stated these programs can be confusing as they have similar names to other initiatives (Interview UU Danmark, 2017, 124). Instead, financing is a key concern (Interview UU Danmark, 2017, 124). Consequently, interviewees explained targeted financing in new initiatives is useful as it earmarks funds which may have otherwise been co-opted for other issues areas such as elderly care or primary education funding (Interview UU Danmark, 2017, 124).

⁸² STAR has continued to conduct analyses of the effects of these policies on youth to learn from the policies for future use (Abejdsmarked Rekruttering, 2016; Deloitte, 2016; Beskæftigelsesministeriet, 2016b; Damvad, 2014).

isteriet, 2014, 10; LO I, 47, STAR II, 182). Rather than making new commitments, the document outlines existing measures. Multiple interviewees stated Denmark envisions itself as a leader in this policy area and does not feel targeted by these measures (Interview UVM, 2017; Interview LO I, 2017). The OECD was not mentioned during the policymaking process.

Evidence shows the Red Coalition did not support additional youth measures during the period. For instance, in 2013, the EL put forward a series of motions including for a youth guarantee (Folketinget, 2013a). At that time, Minister of Employment Mette Frederiksen made it clear the government was of the position youth benefits were already generous and policy objectives should target employment. The minister also stated Denmark does not and should not have a youth guarantee (Folketinget, 2013a, 78).⁸³ The V, RV, DF and Alternative parties supported these statements (Folketinget, 2013a).

6.7.3. Policy preferences and coalition formation

Coalition formation for the Youth Package was not problematic because the issue was consensual. Many parties had a common interest in reducing youth unemployment. Furthermore, education was not a controversial policy solution. Despite the possibility of consensus, the government was unable to create a broad coalition between parties. Instead, it allied itself with the EL, a left-leaning party that had advocated for youth measures in the past. Furthermore, negotiations for the Youth Package were affected by other policy agreements within the 2013 Finance Act.

Prior to the 2011 election, additional youth packages were discussed in the media. For instance, in September 2011 Minister of Employment Inger Støjberg of the Liberal party did not rule out another youth package. She stated that youth were disproportionately affected by the crisis and (Flensburg and Tingstrøm Klinken, 2011). LO Vice Chairman Lizette Risgaard also noted youth unemployment was a major preoccupation for the trade union and that they supported job rotation measures and believed early retirement could provide more room for youth to enter the labour market (Flensburg and Tingstrøm Klinken, 2011).

Once in government, the Red Coalition made the package a policy priority. The official objective was to ensure youth on unemployment or social benefits are either transferred into education or employment (Ministry of Employment, 2012; Preisler, 2012). The Minister of Education during the Red Coalition government, Christine Antorini, explained the logic

⁸³ “And there is no job guarantee in Denmark, there has not been a job guarantee, and I also do not believe that there will be a job guarantee.” (Folketinget, 2013a, Kl. 21:21).

behind the initiative varied according to age group. She also stated the political discussion at that time was to ask whether it was acceptable for some unskilled to remain uneducated. The Social Democrats (S) were of the opinion that all 15 to 17-year-olds should have an education. The first objective of the package was, therefore, to ensure municipalities have the responsibility to educate 15 to 17-year-olds (Interview Antorini II, 2017, 162). Goals for individuals 18 and over, however, were different and solutions more forceful (Interview Antorini II, 2017, 162). As government documents and the Minister of Employment made clear, their primary solution for youth unemployment is education (Beskæftigelsesministeriet, 2012c,d, 2). However, education should increasingly lead to skills. For instance, the Social Liberal (RV) party emphasized the notion of a knowledge and *production*-based society. This concept relates to Denmark's need for skilled labour and, according to interviewees, has also become more prominent within ministries within the past four years (Interview UVM, 2017, 99). The importance of skilled labour was also supported by the Socialist People's (SF) party (Gjerding, 2013). Business associations have also long held the view that skilled workers need a technical education (Interview DA, 2017, 136).

According to Antorini, S party members also adopted this notion (Interview Antorini I, 2017, 29). Consequently, the S had a dual preference for training and work experience for this older age group (Preisler, 2012; Interview Antorini II, 2017, 162).⁸⁴ Despite the openness to work-oriented solutions, Social Democrats maintained education was an optimal policy solution. In contrast, Antorini argued more centrist parties have work-oriented preferences and accepted unskilled jobs for youth as an acceptable solution (Interview Antorini II, 2017, 163).

While the V, Conservative People's (KF) and Danish People's (DF) parties all stated the initiative included positive measures when it was announced in August, they also had reservations (Bærentsen, 2012). For instance, V party members noted the Youth Package should be followed by reform on cash benefits for youth under the age of 30 (Ritzau, 2012b). V, KF, and DF party members were also skeptical about where funding would come from (Ritzau, 2012b). Despite negotiations, there was little change in the substance of the package between the announcement in May and the final agreement in November.⁸⁶

⁸⁴ Frederiksen stated: "Young people need a good start to working life, and it's best for them to take an education. For education, more than anything else is what is needed in the future labor market. But unfortunately, we also have to recognize that education is no longer a safe entry ticket for the labour market. The crisis has closed doors, so many young people with a newly acquired education bank in vain. Therefore, we focus on two fronts. We focus on young people who do not have an education - among other things, building bridges between young people and educational institutions, so young people who do not have the prerequisites for starting an education get a necessary handshake. In addition, we work hard to help young people with education into the labour market. Among other things, we do this by prioritizing the job rotation scheme and by granting grants to companies that employ young people with a completed vocational education"⁸⁵ (Beskæftigelsesministeriet, 2012c).

⁸⁶ Funding was increased by DKK 10 million from DKK 635 to DKK 645 million. The primary initiatives remained job

During parliamentary debates on the Youth Package, the proposed legislation gained support from the government, the EL and the DF (Folketinget, 2012e).⁸⁷ The V, KF, Liberal Alliance (LA) all voted against it. Among the sources of discord was the reallocation of municipal funding. One of the effects of the law was to temporarily reduce the activation funding operating ceiling allocated to municipalities towards education initiatives to fund the Youth Package as well as other actions. The V cited this as their reason for voting against the bill (Folketinget, 2012e). However, the FTF (the interest organization for municipalities) did not come out against it (Folketinget, 2012d). Nor did the Danish Employers' Confederation (DA) or the Danish Confederation of Trade Unions (LO) (Folketinget, 2012d). The LA also opposed the bill. Among other points, it was critical of whether or not job rotation produced the positive effects cited in the agreement and found the measure to be too costly (Folketinget, 2012e). The KF stated it was dissatisfied with internship measures (Bærentsen, 2012).⁸⁸

Despite these critiques, there was support for measures within the Youth Package, and other potential alliances existed. For instance, the DF expressed the desire for more action for the weakest youth groups and the KF praised the knowledge pilot scheme (Bærentsen, 2012). Evidence also shows there were signs of friction between coalition members during 2013 Finance Act negotiations. Center-right parties attempted to use this to align themselves with the government and propose their preferred policies.

In August 2012, the government, social partners and stakeholders adopted an agreement to provide job support and employment offers to individuals at risk of losing their unemployment benefits due to the 2010 Recovery Package reforms (Danish Government, 2012). During the Finance Act negotiations, parties within the government were conflicted on whether or not to overturn the 2010 reforms altogether or to adopt additional emergency packages for UB recipients. The S and SF were in favour of lengthening the benefit period, whereas the RV party refused to undo the reforms. Additionally, the EL, a Red Coalition ally, wanted to reverse the 2010 reforms (Hjortdal, 2012; Østergaard, 2012). One member of government described unemployment benefit reform as the most contentious issue for the Red Coalition government (Interview Antorini II, 2017).

The Social Liberal party was known for their conflicting positions within government

rotation and creating the Building Bridges to Education scheme as well as increasing internships and creating the professional-based pilot scheme.

⁸⁷ The government also made appropriations requests to the Finance Committee (Folketinget, 2012a,b). The first request was granted. The second request for increased funding for job rotation partially stemming from the Youth Package, but additionally from other measures (Folketinget, 2012b, 3). This request was also granted. However, the Finance Committee member from the Liberal Alliance voted against it.

⁸⁸ The Red Coalition government reformed VET in 2014 with social partners.

with the more left-leaning parties (Vangkilde, 2011). This was accentuated during the most recent coalition as RV supported unemployment benefit reform under the Recovery Package and maintained this stance while in government. For example, during debates on the expiration of unemployment benefits in 2012, the RV party leader, Margareth Vestager, stated “That’s how it is. At one point you cannot be on unemployment benefit anymore”⁸⁹ (Olsen, 2015). The RV was effectively able to veto UB reform during this period. Other parties criticized Vestager’s lack of compromise (Hjortdal, 2012). Differing preferences between coalition members ultimately conflict within the government and affected other agreements, such as the 2013 Finance Act.

The government had the option of collaborating with either the EL or the V during the Finance Act negotiations as these parties signalled they would cooperate. That being said, it was not possible for the government to include both the EL and the V in the agreements as their interests diverged.⁹⁰

The Liberal party indicated it would enter into negotiations with the government for the budget because the Red Coalition had maintained sound fiscal policy (Venstre, 2013, 3). The V’s counter-proposal for the Finance Act included a Youth Package with DKK 193 million in new funding for a total investment of DKK 313 million (Venstre, 2013). However, it maintained that generous benefits are work disincentives and demanded cash benefit reform in conjunction with youth initiatives. The V also stated it was against expanding adult apprenticeships and would prefer “business friendly activation” (Venstre, 2013, 18).⁹¹

The EL had a policy preference of investing in social programs.⁹² However, the Red Coalition made it clear youth benefits were sufficiently generous, and the primary policy objective was employment. For example, Frederiksen stated, “I do not think you should underestimate that the safety net may also be a stumbling block”⁹³ (Folketinget, 2013a, 78).

⁸⁹ Google translation.

⁹⁰ Unemployment benefits and taxation policy were two significant areas of interest conflicts.

⁹¹ The Liberal party cites a report assessing the impact of business-oriented activation by two professors of economics at Aarhus University, Michael Rosholm and Michael Svarer in which they find positive effects from company-oriented activation, that is to say, private wage subsidies (instead of public wage subsidies) (Rosholm and Svarer, 2011). The Danish Agency for Labour Market and Recruitment commissioned the report.

⁹² For example, EL put forward a series of motions to increase unemployment benefits for the entire working population as well as select measures for youth (Folketinget, 2013a,b). Although none of these proposals gained support in parliament, they do provide an understanding of the differences between the Red Coalition government and EL. Mette Frederiksen was open to modifying activation policy. However, she made it clear her party believed activation should lead to long-term employment (Folketinget, 2013a, 48-49). For this reason, job rotation, which combines training and job opportunities, was the preferred policy solution. The SF party also opposed the EL’s proposals by explaining that, in their opinion, these policies were a lower priority and finding jobs for the newly trained was more critical than raising UB levels.

⁹³ Google translation.

The V, RV, DF and LA all supported these statements (Folketinget, 2013a). Ultimately, the government cooperated with the EL. Deputies for EL stated they were satisfied with the package but attempted to link the package to UB reform. They wanted new unemployment benefit rules to ensure youth are not pushed out of the system (Bærentsen, 2012). Although the 2010 UB reforms were not reversed, benefit periods were temporarily extended (Beskæftigelsesministeriet, 2012b).

6.7.4. *Social partner interest*

Social partners were not included in the Youth Package negotiations and there is no evidence they influenced policy content.⁹⁴ Nevertheless, social partners and stakeholders did provide commentary on the measures and were included in parliamentary committee hearings. These actors maintained stances similar to those found in the previous period.

The DA supported the Youth Package but stated other reforms to modify the reimbursement of employment policies were necessary (Folketinget, 2012d). Danish Industry (DI) also supported the package, especially job rotation measures (Ritzau, 2012a). However, an interviewee from the DI stated the organization aims to dissociate labour market policy from education policy because training policies have proved to be ineffective and education is not business's role. Furthermore, their education preferences are for skilled labour or sciences and information technology (Interview DI, 2017, 145-146).

When the government first announced the Youth Package under the 2020 plan, LO supported the initiative and prioritized education solutions (Andersen, 2012). It continued to support the bill during parliamentary hearings (Folketinget, 2012d). The LO did, nevertheless, request a review of job rotation to ensure the best use of the policy tool. The Economic Council of the Labour Movement (AE) stated youth unemployment was a significant issue and supported the Youth Package as well as the use of education solutions (AE, 2012). They further emphasized the importance of creating enough internships.

Finally, despite the presence of subsidized employment initiatives, employer associations and trade unions stated they did not request subsidies to reduce the cost of labour (Interview DA, 2017; Interview DI, 2017; Interview LO II, 2017). Individuals working at STAR also stated they do not necessarily advocate for these policies (Interview STAR II, 2017, 188).

⁹⁴ A newspaper article states that the Social Democrats had advocated youth measures during tripartite negotiations (Preisler, 2012).

6.7.5. Political agendas and ideas for cash benefit reform

In addition to investing in youth initiatives, the Red Coalition government reinforced conditions for individuals under 30 years of age on cash benefits. This reform is the result of an agreement between the government, the V, DF, KF and LA in April 2013 (Regering, 2013a).

Evidence shows reforms that make education an obligation have continued to be on the policy agenda for both blue and red parties since the financial crisis. Dissatisfaction with the status quo is in part related to the need for skilled labour. It is also related to the normative assertion youth should not be on these benefits. Additionally, the CB reform coincided with a renewed debate on welfare generosity. In late 2011, during a political stunt between the SF and the LA, it surfaced that CB recipients had remained on benefits for extended periods and earned more than low skilled workers (Jespersen, 2011; Frandsen, 2011).⁹⁵ This revived the debate on CB with organizations and political parties taking clear positions on the issue.

Ideas for cash benefit reform have existed since the 1990s and are part of Denmark's overall discussions on welfare state sustainability. In this way, the decision to increase conditionality for individuals under the age of 30 continues the existing logic of action. For instance, labour market reform in 1996 reduced youth unemployment benefits for 18 and 25-year-olds to half of normal benefit levels (Jakobsen, 2005). To further reinforce responsibilities, youth under the age of 25 who did not participate in activation or education initiatives could be sanctioned by losing their benefits (Wallin, 2005). This logic of action was maintained in the early 2000s. In 2003, employment policy reform aimed to ensure young people were not in passive benefits through activation, benefit reduction for uninsured youth and education initiatives (Danish Government, 2010d, 18).⁹⁶ A 2005 Welfare Commission Report also proposes extending education conditions for unemployed youth already in place for 18 to 25-year-olds to 25 to 29-year-olds (Velfærds Kommissionen, 2005, 2).⁹⁷ Finally, the 2007 Welfare Agreement maintains these objectives by using activation, subsidized employment and education as policy instruments (Danish Government, 2010d, 18).

In addition to supporting the existing logic of action, parties from across the aisle manifested dissatisfaction with the policy status quo due to benefit generosity. For instance,

⁹⁵ Two cases became well known, the "Carina effect" and "Lazy Robert" (Daley, 2013).

⁹⁶ *Flere i Arbejde*.

⁹⁷ This logic also applied to non-Danish youth. The 2005 "A New Chance for All"⁹⁸ reform specifically targeted immigrants and had the objective of moving unemployed youth 25 and under from social assistance benefits to education programs by making education an obligation (Danish Government, 2010d, 18).

a 2010 Blue Coalition government strategy document states: “A key issue in the reforms is that young people should not be on passive benefits unless cognitive, social or physical conditions do not allow the individual to be active” (Danish Government, 2010d, 20). The Liberal party continued to advocate for cash benefit reform while in opposition. In August 2012 after the Youth Package was announced, a party spokesperson stated, “I see a natural connection between the government’s thoughts and Venstre’s [the Liberal party’s] thoughts of expanding youth efforts. This ensures that young people under 30 are taking an education. This creates the greatest incentive to train or take a job” (Ritzau, 2012b).⁹⁹ In fact, in 2012 the V included the CB reform to reduce government spending by DKK 1.5 billion in its counter-proposal for the 2013 Finance Act (Venstre, 2013, 8).

According to an interviewee, the S had not wanted to negotiate a CB reform while a member of the opposition. However, it changed position once in government (Interview DA, 2017, 84). Evidence shows dissatisfaction with the status quo manifested itself within the S and SF as soon as 2011 with both parties wanting to extend educational opportunities. Before the legislative elections, they explicitly target youth on cash benefits and promise reforms in a joint program.

“Today, only recipients of social assistance under the age of 25 can be referred to education and only if they are not dependent. Social Democrats and SF will ensure that young people under 30 without education receive education by raising the age limit. In addition, there is a need to significantly improve the quality and relevance of the offers to this target group”

(S & SF, 2011, 74).

The coalition government subsequently included CB reform on their policy agenda. These changes were a high priority issue. For instance, Helle Thorning-Schmidt included the reform in her opening remarks to parliament in early October 2011 (Statsministeriet, 2011). As with the Blue Coalition government, the objective is twofold: to increase the supply of skilled and create conditions to limit the number of youth on public transfers. Thorning-Schmidt explained the objectives again in 2012:

“In the new Parliamentary Session, we will change the rules for cash benefits. With the aim of ensuring that people do not become dependent on public welfare year after year after year. We want to get young people to complete their education and training more quickly. And we want to invest in education

⁹⁹ “Venstre’s reform proposal that people under the age of 30 receive lower cash benefits and unemployment benefits and are obliged to educate, cohabitants get dependent, unemployed get tight penalties, activate from the first day and move longer after work” (Ritzau, 2012b).

and training”

(Statsministeriet, 2012b).¹⁰⁰ Mette Frederiksen reinforced this idea when she argued welfare reform was necessary as too many uneducated youth were on cash benefits (Folketinget, 2012f, 43).

6.7.6. Policy entrepreneurs and learning

Frederiksen played a crucial role in driving cash benefit reform forward as Minister of Employment, and the reform is ultimately the result of common policy goals between parties. Findings also indicate that analysis and learning within the Ministry of Employment were supporting factors.

With CB reform on the policy agenda, Frederiksen, acted as a policy entrepreneur to enact changes.¹⁰¹ Interviewees stated Frederiksen entered the post of Minister of Employment with the objective of overhauling activation policies (Interview DI, 142; Interview DA, 84; Interview Antorini II, 2017, 184) and was effective in her role as minister (Interview DI, 2017, 142, 145). Frederiksen herself stated that she wanted to remove “meaningless” activation for individuals on cash assistance (Larsen, 2013). Civil servants also stated that CB reform was partially a political initiative with Frederiksen saying the benefit scheme – which gave more to those on benefits than those in education – was illogical. To remedy this, she wanted the funds to be directed to the most vulnerable (Interview Star II, 2017, 183-184).

Frederiksen’s actions as a minister support this description as a policy entrepreneur. For instance, she created an expert committee, known as the Koch Committee, to provide recommendations for a new framework for active employment policy.¹⁰² The Ministry also formally stated the objective of ensuring youth measures that provide cash benefits have “a more active approach” (Beskæftigelsesministeriet, 2014, 11). Despite this activation link, there was no similar commission or report for the CB reform. Instead, evidence shows ideas for change were influenced by learning within the ministry and from municipal policies. There is no evidence of external ideational influence from either the OECD or EU. Nor is there evidence of high levels of uncertainty for this reform in debates or reports.

¹⁰⁰ The coalition government’s focus shifted to education, especially VET reforms in 2013 (Statsministeriet, 2013).

¹⁰¹ According to a book on Frederiksen, she held a workshop on cash benefit reform to increase cross-departmental innovation in early 2013 (Winther and Burhøi, 2016). She also co-wrote a strategy paper on the issue 2011 with Martin Bossen.

¹⁰² The Commission does not deal specifically with youth. However, youth are part of the overall working population. The Commission divided the reports according to the target population. The first report deals with individuals that have unemployment insurance (Danish Government, 2014b). The second and final report provides recommendations for how best to address employment policies towards individuals that are neither insured nor employed (Kvist, 2015, 13). Both reports offer proposals to reform activation (Danish Government, 2014b, 2015b).

Documents from STAR show the Ministry of Employment conducted multiple analyses on the effects of different types of activation. The department was also aware a lack of skills was an issue, especially for those on cash benefits. According to ministry statistics, 90% of individuals under the age of 30 on cash benefits lacked adequate education (Arbejdsmarkedsstyrelsen, 2009a, 6). Furthermore, providing an education could reduce youth unemployment by 50% (Arbejdsmarkedsstyrelsen, 2009a, 7). Christine Antorini, Minister for Education under the Red Coalition government, confirmed the decision for the reform was partly motivated by data showing the majority of individuals under 30 on cash benefits lacked sufficient education (Interview Antorini II, 2017, 163). These statistics are also found in the final CB reform agreement (Regering, 2013a) and mentioned by S and SF party members in parliamentary debates (Folketinget, 2012c). The policy goal was to treat those able to be in education on cash benefits as students.

In addition to identifying a policy issue, the Ministry of Employment ran trials on policy solutions. For instance, the “Young - Good Start”¹⁰³ program analyzed the effects of cash benefits on youth without an education (Arbejdsmarkedsstyrelsen, 2009a, 11).¹⁰⁴ Pilot programs divided youth into categories according to their education and analyzed the effects of different measures on education and employment prospects. The results of these controlled trials were published in 2011 (Høeberg et al., 2011).

Despite internal ideational influence and signs of policy learning, Mette Frederiksen stated change was difficult and civil servants worked to maintain existing policy structures (Winther and Burhøi, 2016). Moreover, the fact political parties cited government reports does not necessarily mean policy learning took place. For instance, a literature review of analyses of activation program states evidence for education as a policy solution is mixed (Damvad, 2014, 9-10). Nevertheless, policy analyses commissioned by STAR show that education initiatives can have positive effects on individuals under the age of 30 (Damvad, 2014, 6). Additionally, political parties used experimental programs to support their reform agendas.¹⁰⁵

Evidence of policy learning is also found at the municipal level. In 2011, the six largest municipalities in Denmark came forward with a proposal to make education for unemployed individuals under 30 mandatory in 2011 (Saietz, 2011). The municipal trade union organization, KL, also commented on a 2012 study by Deloitte showing the positive ef-

¹⁰³ *Unge - godt i gang.*

¹⁰⁴ The third Youth Package, adopted by the Blue Coalition government, allocated DKK 10 million to these initiatives (Beskæftigelsesministeriet, 2017).

¹⁰⁵ Policy learning may continue beyond the policymaking process as the CB reform includes an impact analysis (Danish Government, 2015a, 21).

fects of education requirements for youth on cash benefits (Thomsen, 2012) and supported extending it to 25 to 29-year-olds. The Economic Council of the Labour Movement (AE) also published multiple reports and press releases on youth unemployment. These reports include analyses arguing policies enacted in the 1990s for unemployed youth have had adverse long-term effects (Pihl, 2012) as well as analyses that highlighted the high rates of youth on cash benefits since the financial crisis (Bjørsted and Vilhelmsen, 2012) and their low education levels (Baadsgaard, 2011).

These reports are cited by political parties advocating for reform. Political parties from across the aisle notably supported a program in the Aalborg municipality, “Garden project”,¹⁰⁶ in which the strongest cash benefit recipients received activation offers before initiating their cash benefit application.¹⁰⁷ The S and SF cited this project and KL and AE reports in their 2011 program (S & SF, 2011, 74), as did the V in their counter-proposal for the 2013 Finance Act (Venstre, 2013). The municipal program garnered additional support from the LA (Gräs, 2012).

6.7.7. Coalition formation and nestled interests

While national policy learning undoubtedly influenced the CB reform, evidence points to partisan bargaining as a key factor affecting the final policy output. Negotiations between parties were characterized by the fact the CB reform was announced in conjunction with a Growth Package (Bang and Øyen, 2013). The timing of these announcements allowed political parties to leverage different agreements against each other to further their interests.

The final CB reform agreement was released as part of a Growth Package to increase private employment in Denmark (Regering, 2013c). Cash reforms were subsequently adopted through two laws in June 2013.¹⁰⁸ The only political party that did not support the reform was the EL, a Red Coalition ally. Without the EL’s support, the government turned to other political parties for reform.

Despite general agreement by most political parties on the reform, interests and strategies between parties varied. This variance is partially due to the structure of government and the conciliatory nature of Danish politics. It is also because the CB reform was tied to other policy initiatives. As a consequence, policy negotiation was arduous. An interviewee stated cash benefit reform was difficult (Interview Antorini II, 2017) and evidence shows

¹⁰⁶ *Haveprojektet*.

¹⁰⁷ In these cases, cash benefit applicants under the age of 30 were referred to “utility activation” (*Nytteaktivering*.) in which they are given gardening jobs (Redder and Andersen, 2012).

¹⁰⁸ Two further laws were adopted in November of 2013 and June of 2014 to clarify the legislation.

opposition parties used the Growth Package as a means of influencing bargaining. To illustrate, the Growth Package states public savings from other reforms, including cash benefits, were necessary to balance public finances and invest in the economy (Regering, 2013b, 7-8). The goal of deficit reduction provided incentives to reduce benefit generosity to make room for various preferred initiatives in the package.

The V, DF, KF, and LA allied themselves to present a common front to pressure the government to adopt their preferences (Jensen, 2013; Jørgsen, 2013b).¹⁰⁹ Negotiations were also complex because they were conducted through various ministries including those of Finance, Employment and Education (Jørgsen, 2013c). For example, the leader of the DF, Kristian Thulesen Dahl, stated his party supported some aspects in the Growth Package such as cash benefit reform, but would not cooperate on the lowering of the corporate tax rate (Ritzau, 2013a). The Finance Minister, therefore, stated the government may divide the agreement to accommodate the DF's preferences better.

Another example of strategic bargaining comes from a refusal to be bound to the final cash benefit agreement, thereby leaving the opportunity for future cuts. The day before the parties officially agreed on cash benefit reform, the V stated it would sign the agreement, but refused to be bound to it as a settlement (Nyhedsbureau, 2013; Jørgsen, 2013a). The financial rapporteur for the V, Peter Christiansen, explained cash benefit and student grant reforms were necessary to finance the Growth Package. As the Growth Package was in the V's interest, it would only agree to the CB reform if it could modify the reform if and when the party regained power. The V did consent to the overall direction of reform as well as many provisions. Nevertheless, it wanted to be able to leave the door open for later modifications such as reinstating a cash benefit ceiling (Rohde, 2013). Part of the motivation for the CB reform was potential savings. For instance, the V party argued it was necessary to compensate for the Red Coalition abolishing the cash benefit ceiling (Venstre, 2013, 8). Kristian Thulesen Dahl also said the difference between an agreement and a settlement was a significant impediment to the CB reform (Jørgsen, 2013d).

These parties were ultimately able to gain concessions from the government after negotiating with the Minister of Finance (Jørgsen, 2013b). However, evidence shows center-right

¹⁰⁹ Although these center-right parties allied themselves, they did not agree on all reform elements. For example, these parties were divided on the issue of equating cohabiting couples with married couples. The measure was advocated by the V party (Venstre, 2013, 8-9). The Danish People's party partially opposed this measure for the youngest individuals on cash benefits. They negotiated for the measure not to apply to youth under the age of 25 (Folketinget, 2012c). The Unity List also fought against the measure in parliamentary debates. This issue persisted after the reform. In early 2014, after having left the government, the Socialist People's party changed position and stated it too was against this clause (Kildegaard, 2014). Finally, challenging to implement, the provision was removed in the 2015 Finance Act (Ritzau, 2014).

political parties would have preferred additional reforms. For instance, the V would have created more incentives for work and provided a less generous policy by reinstating a ceiling on cash benefits.¹¹⁰ The LA also stated the reforms were a “small adjustment”¹¹¹ and further action was required (Folketinget, 2012c).

In addition to power-based conflicts between negotiating parties, there is evidence of conflicting preferences within the Red Coalition. As previously explained, the RV continued to play an essential role in government, and the S needed to find a balance between the RV’s and the SF’s preferences.¹¹² The SF also made it clear it would have preferred a different reform (Ritzau, 2013b).¹¹³ Evidence also points to conflict within the Social Democratic party between more fiscally conservative party members and those representing socialist values.

The day before Mette Frederiksen announced the CB reform, the government announced there would be a corporate tax reduction.¹¹⁴ This placed Frederiksen in an awkward position as she had intended on strategically announcing the reform. Furthermore, corporate tax reform, which was unpopular for a Red Coalition government, was linked to savings created by the CB reform. According to newspapers and a book about Frederiksen, the announcement can be explained by tension within the Red Coalition. Specifically, between Helle Thorning-Schmidt and Bjarne Corydon, Minister of Finance, and members of government who did not support these tax cuts, such as Frederiksen (Winther and Burhøi, 2016).

Competing visions of how to handle government debt as well as normative assertions on whether or not youth should be in benefits also explain these conflicts. According to an interviewee, the CB reform was a means for the Social Democratic party to demonstrate it was fiscally responsible, which was particularly important in the wake of the financial crisis (Interview LO III, 2017, 153). The same interviewee stated the debate on the CB reform was not only structural. It was also related to funding and the normative position that youth should not be on cash benefits (Interview LO III, 2017, 149). Furthermore,

¹¹⁰ The Liberal party spokesperson also stated his party would “like to work for the possibility of continuing a ceiling on cash assistance, but the government and the government’s parliamentary majority will not help” (Google translation.) (Folketinget, 2012c).

¹¹¹ Google translation.

¹¹² For instance, the RV’s position on UB continued to be a source of tension within the Red Coalition. In 2012 Margrethe Vestager stated: “That’s how it is. At one point you can not be on unemployment benefit anymore” (Olsen, 2015). Christine Antorini noted this was the largest disagreement within the coalition and challenging to put aside (Interview Antorini II, 2017, 164).

¹¹³ Deputy chairman, Peter Westermann wrote that, if the SF party had more control of government, the reform would look different (Ritzau, 2013b).

¹¹⁴ Interviewees confirmed documents were leaked to the press at that time without proving information as to the source of the leak (Interview LO III, 2017,154-155; Interview Antorini II, 2017, 166).

although activation is not necessarily political, benefit levels are (Interview STAR II, 2017, 189). During parliamentary debates, spokespeople for the coalition government emphasized cash benefits should be a temporary measure for the unemployed. They also stressed the importance of education as a policy solution. The S made of point of critiquing a culture of passivity within cash benefits (Folketinget, 2012c).

Minister of Education Christine Antorini conceded the CB reform was not necessarily an intuitive reform for her party. That being said, she maintained the reform was more consensual than the debate on whether or not to reverse unemployment benefit cuts (Interview Antorini I, 2017, 39; Interview Antorini II, 2017, 165). Antorini further argued her party was able to make a logical argument for the reform based on the fact it affected a smaller target group and most individuals in this group lacked an education. The Social Democratic party was also able to align itself with trade unions to agree on the cuts in benefits and new conditions because party members understood that, without further education, these individuals would not be able to leave benefits in the long-term (Interview Antorini I, 2017, 40). She claims the need for the reforms can be explained by a combination of the financial crisis, which made youth unemployment more visible, and pre-existing needs in Denmark (Interview Antorini I, 2017, 40).

6.7.8. *Social partner interests*

Although there is evidence that the Red Coalition initiated tripartite negotiations on the CB reform, neither social partners nor stakeholders were part of the formal negotiation process. There was also no commission for the reform. An interviewee working at the DA stated the reform did not involve the social partners and was political (Interview DA, 2017, 82). That being said, parliamentary committees consulted social partners and stakeholders. These organizations maintained similar positions to those taken on other reforms during the period. What follows is a brief overview.

When the government first announced the reform, the DA published eight recommendations. These include elements found in the final agreement such as harmonizing benefit rates with student grants for those under the age of 30 and equating cohabiting couples with married couples (DA, 2013). In line with the Liberal party, the DA also advocated the cash ceiling be reinstated (DA, 2013). Additionally, a DA spokesperson stated “it is unacceptable that not everyone is an economic incentive to work at the minimum wage”¹¹⁵ (DA, 2013). Another member of the DA stated the principal goal of the reform was to alter incentives (Interview DA, 2017, 82).

¹¹⁵ Google translation.

LO was also part of the parliamentary consultation and supported education as a solution (Folketinget, 2012c). Although not against the reform, it disagreed with the notion of forced education and provided recommendations (Folketinget, 2012c). From LO's point of view, reducing cash benefits was not supported, but encompassing education was (Interview LO III, 2017, 149). LO's main issue with the CB reform was that benefits were lowered. LO Employees believed guidance and what they call "hand held initiatives" – is more effective than negative financial incentives (Interview LO III, 2017, 151). The FTF supports elements of the reform including the focus on education, the notion of working for benefits and stricter sanctions (FTF, 2013). The organization does not support the reduction of benefits for educated youth under the age of 30 or new obligations for cohabiting couples (FTF, 2013).

Finally, the KL responded positively to the cash benefit reform when it was initially announced (KL, 2013). However, it pointed to potential implementation issues in parliamentary committee reports (Folketinget, 2012c).

6.7.9. Financial constraints

Financial constraints were a motivating factor for the CB reform. In their long-term economic plan, the Red Coalition government states cash benefit reform will improve public finances (Regering, 2012, 27). Although fiscal constraints existed, they did not stop investment. Rather, as shown with coalition formation, these constraints had the effect of reorienting priorities. Moreover, civil servants at STAR stated that, although financial constraints exist, their evidence-based programs have broad political appeal (Interview STAR II, 2017, 189).

While there is no evidence that the EU affected the reform, the EU's deficit recommendation once again affected policy negotiations. In her opening remarks to parliament, Helle Thorning-Schmidt stated the government would comply with the EU's recommendation to balance public finances in 2013 (Statsministeriet, 2011). This was reiterated in the government basis (Danish Government, 2011a) and in speeches (Statsministeriet, 2012a). Deficit reduction affected the government's ability to invest in their planned Growth Package (Jessen, 2013). These constraints made spending reductions from other reforms necessary to maintain the Growth Package.¹¹⁶

¹¹⁶ I did find evidence that student grant reform, also a part of the Growth Package, was affected by EU norms (Jørgsen, 2013b) The objective for the Danish People's party was to ensure EU students would not take advantage of Danish grants.

6.7.10. Conclusion

As with the previous period, findings indicate institutional and interest-based factors are key to understanding the policymaking process for the Youth Package and the cash benefit reform. There are signs of policy learning, but learning was mostly internal and was not the primary motivating factor for either policy.

Although the Red Coalition formed a majority government and could adopt policies without the help of other parties, it generally sought support from across the aisle. In the case of the Youth Package, the government demonstrated clear preferences and center-right parties refused to support the policy. Due to disagreements between parties, the policy resulted in a center-left political agreement.

Cash benefit reform included a broader coalition of actors. This is partially explained by the salience of welfare generosity and how center-left and center-right parties had an interest in reducing passive benefits for youth. The Minister of Employment also acted as a policy entrepreneur during the reform and made it a priority. Strategic bargaining between political parties, with social partners playing a limited role, led to the final outcome. Financial constraints also influenced the process by affecting partisan preferences.

There are signs of learning for these policies. Interviews with civil servants and stakeholders highlight a long tradition of information gathering policy experimentation in Denmark. Learning was especially prevalent within municipalities, which deliver services, and the Ministry of Employment. Political actors used this information to justify their positions during the policymaking process, but there is no evidence this led to a search for or an evaluation of alternatives. Finally, process-tracing shows little evidence of outside ideational influence.

6.8 Discussion

Evidence demonstrates both left and right governments adopted similar policy incentive mixes and had common strategies for resolving youth issues. These incentives include cyclical reforms to invest in youth programs, especially in employment services and upskilling incentives as well as subsidized employment incentives. Structural reforms created different activation incentives. Both the Red and Blue Coalition governments favoured increased incentives for labour search to reduce passivity among youth.

While Denmark is a social democratic welfare state known for its generous social programs, this research demonstrates that both center-left and center-right coalitions opted for retrenchment. The dominant logic of action during the period maintains existing trends

in Danish social and labour market policy. That is to say, policies increase conditions for youth to access benefits. This logic of action is associated with structural needs for high employment and skilled workers to sustain the welfare state. It is also related to the normative assertion youth should not be on benefits and a goal of rooting out abuse in the system. Findings also indicate a desire to make activation more efficient by streamlining the process, or by including new and more rapid activation requirements for specific target groups.

The Blue Coalition government was able to reduce unemployment benefit generosity through political exchange. While a power-based process, institutional factors remain key to understanding this. First, costly existing policies created financial constraints and the need for reform. Second, the constitutional configuration allowed political parties to act as potential veto players and influence reform. The financial crisis is another significant factor as it provided a window of opportunity for retrenchment by altering the hierarchy of preferences for certain actors. This is because financial constraints associated with the crisis were used to create momentum for existing reform ideas and preferences. In this context, reforms that were previously withheld were now viewed as viable options. It is under these circumstances that the Danish People's party was able to negotiate UB cuts in order to preserve its policy priorities. Finally, there is evidence that policy ideas were influential. In fact, numerous reports had recommended benefit reductions, but parties had been unable to adopt them. While not adopted purely due to policy learning, these reports did lend credence to the reform.

Evidence shows negotiation during the Red Coalition government also led to retrenchment, this time accompanied by increased protection for low-skilled youth. This is an instance of a modernizing compromise. Once again, interests are key to understanding this, but institutional factors were also significant. While the Social Democratic party already had the preference for reform, it waited until it was in a more powerful position before entering negotiations. Furthermore, the Minister of Employment used her role to act as a policy entrepreneur. Hence, negotiations were influenced by each party's ability to bargain for their preferred policy, which is affected by Denmark's tendency to create coalition governments. Finally, the reform was affected by civil servants who used policy learning to inform the cash benefit reform.

6.8.1. Evidence of policy learning

Process-tracing demonstrates institutional configurations and coalition formation were essential factors for understanding policymaking during the period. But that does not mean

policy learning was not a factor. To the contrary, there are elements of policy learning in all of the reforms analyzed.

There is evidence supporting $H_{1,0}$ that policymaking is a cognitive process. As youth unemployment became a salient issue, actors used previous experiences of youth unemployment in the 1970s and 1980s to justify policy intervention. Furthermore, structural reforms were salient policy issues before the financial crisis and longstanding dissatisfaction with the status quo existed for unemployment and cash benefits. To refute the null hypotheses, one must also find evidence alternatives were analyzed and evaluated. Since the reforms were the result of cross-party agreements, this is difficult to ascertain. Ultimately, the evidence that alternatives were evaluated is mixed. For instance, expert committees and reports existed and were used to defend policy preferences. However, findings also indicate policies such as UB reform did not consider all potential alternatives and were affected by political preferences. For these reasons, there is insufficient evidence to reject the null hypothesis.

Findings do not support $H_{1,1}$ that uncertain policymakers are more susceptible to learning through epistemic communities. Documents and interviews provide little evidence of high uncertainty during the period. Alternatively, the findings highlight a culture of evidence-based policymaking and policy experimentation within departments in the ministries of Education and Employment. Furthermore, a culture of data collection exists within ministries and municipalities and is used to improve program efficiency (Interview UU Denmark, 2017; Interview STAR II, 2017). These findings indicate institutional knowledge was a factor that affected policy content. The use of institutional knowledge is best illustrated with the youth packages and cash benefit reform. The youth packages were all based on previous policies. They also include a variety of initiatives tailored to different target groups. These initiatives demonstrate policymakers were aware that youth represent a heterogeneous population and have complex needs. The policies within these packages also build upon existing measures, including pilot schemes for experimenting with policy solutions. Information on benefit claimants and their qualification levels also informed cash benefit reform. Additionally, STAR conducted analyses on the efficiency of different activation for various target groups.

Elements of a cognitive process notwithstanding, policy alternatives were not always sufficiently analyzed to qualify as policy learning. For example, the Blue Coalition government agenda influenced the policy alternatives explored in committee reports. There is also evidence that, despite uncertainty on the number of benefit claimants, political actors did

not heed policy advice or demand further investigation. Instead of requesting more information, politicians used the window of opportunity created by the crisis to adopt their preferred policy.

6.8.2. Evidence of coalition formation

The Danish case demonstrates interests are an important policymaking factor and evidence supports $H_{2.0}$ and $H_{2.1}$.

As expected, the proportional representation electoral system (an institutional factor) favouring coalition governments, ensured no one party could impose their policy preferences. Consequently, even though policymaking was a power-based process, power was fragmented. In this context, non-dominant actors formed coalitions to promote their preferred policy solutions. Although social partners can play an important role in Danish policymaking, this mainly took the form of political party coalitions. Political parties allied themselves with social partners to express their interests, but social partners did not play a significant role during the period. For instance, the LO attempted to influence the unemployment benefit policy debate by forming a coalition with the Social Democratic and Socialist People's parties. Trade unions also took to the streets to protest the changes. Despite these actions, these actors lacked sufficient power resources to alter the debate. Evidence also shows that the Liberal and other center-right parties held common interests with business organizations who expressed their influence through political parties.

As expected, findings do not show large-scale preference differences between actors as hypothesized in $H_{2.1}$. This may be explained by Denmark's low labour market dualization. Meaning, it is not possible to reject the null hypothesis. Skill levels are, nonetheless, a salient issue in Denmark. Furthermore, there are fundamental differences in preferences between trade unions and business organizations. Interviews with social partners reveal that both trade unions and businesses support activation initiatives. The vital difference between these actors is that business organizations want social protection to be lower than real wages to reinforce incentives to join the labour market.

Finally, I do not find evidence to support $H_{2.2}$ stating that party alignment affects activation incentive preferences. I hypothesized the Blue Coalition would support negative supply-side financial incentives and the Red Coalition would support concrete human capital incentives. Instead, I find both governments adopted structural reforms that include negative supply-side financial incentives and cyclical investments creating concrete human capital incentives. There are differences between parties. Red Coalition parties promoted education as their immediate policy solution, and Blue Coalition parties were open to busi-

ness alternatives. Preferences within coalitions also varied. For example, the Social Liberal party advocated maintaining negative supply-side financial incentives such as unemployment benefit reforms. Whereas the more left-leaning Socialist People's party advocated for more generous policies. Nevertheless, further investigation is required to determine the validity of this hypothesis.

6.8.3. Evidence of feedback effects

Findings points to institutional factors as a vital component to understanding policymaking during the period. First, institutional configurations altered actor strategies. Second, existing policies constrained the menu of options by reducing available funding for other programs.

As explained, the constitutional configuration and electoral system acted as critical institutional factors because they traditionally create low power concentration. In this way, feedback effects from institutions affected policymaking strategies. Second, financial constraints accelerated the policymaking process for specific policies, such as the Recovery Package. These constraints were additionally used as bargaining chips in policy negotiations, such as the cash benefit reform.

Financial constraints are in part the result of feedback effects from existing welfare state policies. For example, healthcare and education spending crowded out unemployment benefit generosity. The decision to invest in a Growth Package also meant the government had to reduce spending to comply with EU regulations. I also note that, while financial constraints were an important factor, the Blue Coalition already had an ideological preference to reduce spending. This makes it difficult to determine if there was EU influence as these regulations corresponded with their preferences.

During the timeline, both governments adopted policies that prioritized retrenchment and cost-containment as well as rationalized recalibration. This means there is evidence to support H_{3.0}. Unemployment benefit reform in the Recovery Package and the cash benefit reform have the objective of reducing costs by reducing benefit levels. These are instances of retrenchment. That is to say, a "roll back social protection and other welfare state interventions and are meant to increase citizens' market dependence" (Van Kersbergen and Vis, 2013, 3). The cash benefit reform can also be considered a recalibration in the sense vulnerable youth without an adequate education are provided with one. In this way, it adapts cash benefits to the needs to obtain skills. Thus, the reform does "amend or renew the existing policy instruments in an attempt to respond to new social risks or political demands" (Van Kersbergen and Vis, 2013, 3).

Chapter 7 | France

The following chapter is divided as follows. 1) The French welfare state is outlined to provide a contextual understanding of activation. To do so, I provide a chronology of activation policies. 2) I describe how the hypotheses fit the French case. 3) I present a timeline of relevant activation policies for youth since the financial crisis. In this section, I classify the policies according to the typology developed in Chapter 5. 4) I discuss my findings and demonstrate how they apply to the three analytical frameworks.

Policy changes are divided into two phases according to the party in power. First, France had a centre-right *Union pour un Mouvement Populaire* (UMP) government between 2007-2012 with Nicolas Sarkozy as president. Second, power shifted to a centre-left *Parti socialiste* (PS) government between 2012-2016 with François Hollande as president. For each period under analysis, I begin by presenting the dominant policies adopted and subsequently test the analytical frameworks by process-tracing the policymaking process of relevant policies.

Evidence shows policymakers in France continue to see high labour costs and inexperience as fundamental issues hindering youth's labour market integration. Consequently, subsidized employment incentives remain key policies regardless of political affiliation. However, contrary to expectations, French governments modified the familial logic of action by adopting policies that increased access to social protection during the period. Evidence indicates an interaction of factors made this change possible. Through process-tracing, I demonstrate that power resources and institutional factors are crucial factors for understanding the policymaking process in this case. Findings also indicate policy learning was important for specific policies during the period. However, the decision to adopt policies was not always a cognitive process. Instead, advocacy and promoting policy ideas through power resources was.

7.1 A Stratified Welfare State

The modern French welfare state is the result of post-war compromises, and French social protection borrows from both Beverigian and Bismarckian principles (Palier 2005a, 101; Palier, 2010, 74).¹ Using the capitalist welfare state regime typology, France most closely

¹ Palier explains that social protection in France should be understood as a compromise in which two of Beveridge's three principles, unity and universality (uniformity was not espoused), were at least partially integrated to the post-war social protection design. However, these principles operate through Bismarckian institutions.

represents the corporatist-conservative regime, although it is also sometimes known as a Bismarckian welfare state (Esping-Andersen, 1990; Palier, 2008). This welfare state regime lacks “[...] the liberal obsession with market efficiency” (Esping-Andersen, 1990, 27). Alternatively, it provides social rights predicated on status differentials created through employment. Precisely, corporatist-conservative regimes – France is no exception in this regard – provide social protection through earnings-based insurance schemes according to past contributions (Barbier, 2004, 66; Palier, 2008, 108). This means social protection rests on labour market participation (Palier, 2005a, 69). This insurance component is meant to resolve the arbitrary nature of social assistance by ensuring stability and predictability (Palier, 2005a, 67-68). However, status-based benefit schemes may also create adverse stratification effects based on occupation type (Esping-Andersen, 1990, 24; Van Kersbergen and Vis, 2013, 64).

These stratification effects create worker divisions in corporatist-conservative welfare state regimes, leading to market insiders and outsiders. Insiders are known for having secure employment and being insulated against risks, whereas outsiders are more vulnerable to unemployment and require social protection (Rueda, 2005). In the French welfare state, social protection is typically fragmented into protection schemes based on social status. Although it has increased in recent years, state intervention is relatively low and social partners maintain a significant influence. Consequently, the system is oriented towards compensating lost revenue over employment or services, and horizontal redistribution (Palier, 2005a, 105).²

The French system also contains its idiosyncrasies. It was designed with the goal of being independent of the state, hence *corporatist-conservative* (Palier, 2010, 75). Corporatism is organized according to “[...] fraternity based on status identity, obligatory and exclusive membership, mutualism, and monopoly of representation”, and this mode of organization eventually lent itself to occupational groups (Esping-Andersen, 1990, 60). In France, social insurance is managed through corporatism and is mostly contributions, rather than tax-based.³ Although social partners represent an integral part of social policy, France distinguishes itself from its counterparts by its historically low unionization rates. According to the OECD, France’s trade union density has been below 10% since 1990 and was 7.7% in 2014 (2017). Nevertheless, unions have been able to use their managerial role in social

² Horizontal redistribution refers to redistribution according to risks associated to an individual’s life cycle. Vertical redistribution relates to redistribution between individuals from the more to the less fortunate (Van Kersbergen and Vis, 2013).

³ This being said, France has modified its system by introducing taxes that are destined for non-contributory benefits (Palier, 2010, 86).

protection as a resource for maintaining influence. This feature has led to the creation of multiple programs in a highly decentralized system (Palier, 2010, 77).

France also represents an outlier with regards to its atypical familial policies. Most corporatist-conservative welfare state regimes have strong cultural legacies of Catholicism, which promote family hierarchy and strict gender roles. This legacy is much weaker in France, which has a history of strong female employment and has promoted family policies (Bonoli, 2013, 134). Despite this, familism remains an important element for youth employment policy. This is because the state attaches social rights to family status. These familial tendencies affect whether youth qualify for policies and the type of aid they receive. This leads parents to play a significant role in their children's lives until they reach the age of 25.

Initially resistant to retrenchment, the French welfare state has undergone lasting incremental changes since the 1990s to contain costs and to cover broader social needs (Palier, 2008). These changes have allowed for the creation of new benefits that are unrelated to insurance-based social programs and for the state to gain more legitimacy and power over social policy (Palier, 2008, 123). Among the changes to French social policy is the activation turn. The following section outlines activation policies in France.

7.2 French Activation, *Insertion*

Known as a “latecomer” to active social policy, France has adopted activation policies since the late 1960s (Bonoli, 2013, 92). What distinguishes France from other cases, is the blend of activation policies adopted – which emphasize subsidized employment – as well as the low levels of enforcement (Clegg and Palier, 2014). Before continuing with a historical overview of activation in France, I situate certain terms within the French context.

Comprehending French activation requires an understanding of the notion of *insertion*. Coined in the 1970s, *insertion* has been exercised a multitude of ways, many of which go beyond public policy. Unfortunately, the term has no equivalent in the English language. It can, however, be in part understood as a reaction to the end of Fordism (Barbier, 2008, 166). One of the ways *insertion* has been used is as a means to socialize youth (Eme, 1997, 318). Adopting this perspective, *insertion* can be understood as a form of activation. However, rather than activation in the welfare-to-work or *workfare* sense (which is more punitive in nature), *insertion* is explained as a form of socialization through participation in work-life (Barbier, 2008, 176).

Insertion relates to the idea of enhancing integration to both social and economic life through citizenship and employment. Social *insertion* means helping individuals adapt and situate themselves within familial, or peer networks for social solidarity. Professional

insertion is a broader concept that includes access to stable employment, economic independence, self-confidence, and the ability to contribute to society (Roulleau-Berger and Nicole-Drancourt, 2006, 32).⁴

Along with the notion of *insertion*, it is important to distinguish between insurance and “solidarity” benefits. The former are earnings and contributions-based and regulated through collective agreements negotiated by social partners and formalized by French law. The latter are state-regulated and financed through taxation. Accordingly, social benefits apply to those who are not eligible for insurance benefits. Scholars characterize the distinction between these benefits as the difference between unemployment insurance and unemployment assistance (Clegg and Palier, 2014, 35).⁵ Youth, as defined in this dissertation, is mainly concerned by solidarity benefits as insurance benefits are unlikely to apply.⁶

7.2.1. *Youth activation*

Youth unemployment has been a consistent problem pressure in France and the youth unemployment rate has been above 15% for over 30 years (Aeberhardt et al., 2011, 155). As researchers point out, France’s youth unemployment problems do not extend to adults as this country performs above average for the employment of 30-54-year-olds (Cahuc and Carcillo, 2015, 48). Research has also shown that youth unemployment in France is closely related to education levels, with graduates outperforming non-graduates due to different employment perspectives (Cahuc and Carcillo, 2015, 49). Moreover, contrary to most European nations, France does not include individuals below the age of 25 in its minimum income scheme. Consequently, “half of the poorest 20% of the population is between 15 and 29” (Cahuc and Carcillo, 2015, 53). This omission makes skills acquisition ever more difficult for low-skilled, and therefore particularly vulnerable, youth. These issues have led to the adoption of a series of fragmented policies to address youth unemployment since the 1970s.

Throughout the period following *Les Trente glorieuses*, France attempted to resolve youth employment with a mix of three policy strategies: training programs in the private sector; measures to reduce the cost of labour; and public sector job creation (Fougere et al., 2000, 930). What follows is an overview of these policies.

⁴ Although some may believe social *insertion* is a preliminary step to professional *insertion*, specific policies, such as France’s Youth Guarantee, do not follow this sequence.

⁵ These different types of benefits can lead to tensions between social partners (unions and employers) and the state. Negotiations are therefore a key feature affecting the adoption of both unemployment and social assistance (Bonoli, 2013, 93-94).

⁶ Nevertheless, certain worker’s rights can have important effects on youth employment and social citizenship.

After the 1974 oil shock, France's employment strategy increasingly included measures to ensure youth integrate the labour market (DARES, 2003, 37). Initially, it responded to crises in the 1970s by expanding existing passive labour shedding policies (Bonoli, 2013, 94). These policies had the objective of increasing employment levels by reducing the number of active individuals in the labour market. To address youth unemployment, three pacts⁷ were created between 1977 and 1981 (Aeberhardt et al., 2011, 155). At the time, the main employment issues were interpreted to be insufficient training and low productivity among newly employed youth (DARES, 2003, 39). All three pacts included a combination improving skills qualifications and reducing the cost of labour (Aeberhardt et al., 2011, 155). These objectives have remained integral components of France's activation strategy over time.

Researchers argue France had two strategies to improve skills and productivity. A first solution is employment contracts that stipulate training as a necessary condition and alternating between work and training through study-work contracts. A second solution is professional internships. For instance, in 1981 the recommendations from the *Rapport sur l'insertion professionnelle et sociale des jeunes* by Bertrand Schwartz led to the adoption of a strategy for youth by alternating between formal learning and work experience (DARES, 2003, 38). This report also highlights the importance of accompanying youth to employment via local missions (Aeberhardt et al., 2011, 161-162). These missions, *Missions locales* and *Permanences d'accueil, d'information et d'orientation* (PAIO), are a decentralized means of helping youth integrate the labour market.⁸

In the mid-1980s, there was a change in labour market policy to better target underperforming categories of the population, namely long-term unemployed and youth. For youth, integrating professional life was encouraged in three different ways: qualification contracts, adaptation contracts, and internships (DARES, 2003, 39). Among these policies, state subsidies for employment are a popular policy solution.⁹ One such program, *Travaux d'utilité collective* (TUC), was created by the Socialist government in 1984. It provided benefits

⁷ *Pactes nationaux pour l'emploi des jeunes.*

⁸ *Missions locales* is the name given to decentralized local organizations that aim to help youth (specifically 16 to 25-year-olds) achieve economic and social *insertion* (Conseil national des missions locales, 2013, 3). Local missions were created in 1982 and are made up of associations between local authorities, the state, public establishments, professional associations and unions (Conseil national des missions locales, 2013, 4, 12). One of the various functions of these local missions fill is public employment services (Conseil national des missions locales, 2013, 5). Whereas *Pôle emploi*, *l'Association pour l'emploi des cadres* (APEC) and *missions locales* help youth having difficulty integrating the labour market, local missions are not state-run and help low-skilled youth having the most difficulty integrating the labour market (Cour des comptes, 2016, 31). These missions do not all necessarily provide the same services. However, they do provide consultancy as well as employment search and training services (Cour des comptes, 2016, 31).

⁹ Although both the left and right have adopted multiple policies to reduce the cost of labour; the left tends to prioritize public and non-profit employment subsidies and the right favours subsidies to the private sector through subsidies for in-work training and lowering social contributions.

well below the minimum wage to participants in exchange for being assigned to public employment or volunteer work for 20 hours a week for three to 12 months (Aeberhardt et al., 2011, 158-159; Bonoli, 2013, 95).¹⁰

During this period, another means for encouraging youth employment came in the form of lowering employer's social contributions for employees under the age of 25 to reduce the cost of labour (DARES, 2003, 39). Governments also increased training and internships for long-term unemployed over the age of 26 during this period. In 1992, there was a further policy change with job characteristics being the defining policy trait rather than individual employee characteristics. Examples of this are policies that target the cost of labour. For instance, employer social security contributions were reduced to encourage the creation of part-time work contracts (DARES, 2003, 45). The 1993, *Loi quinquennial relative au travail, à l'emploi et à la formation* also liberalized the labour market and aimed to reduce the cost of labour (DARES, 2003, 47). One of the law's effects was to further decentralize youth training to the regions.

Policies to fight social exclusion in France have increasingly adopted mutual obligations and incentive-based rhetoric. Policies in the late 1990s were adapted to avoid work disincentives by allowing individuals to receive benefits even when they participate in the labour market (Palier, 2005a, 338). In this way, the French welfare state aimed to improve work-incentives, avoid inactivity traps and to "make work pay". Researchers adopting an institutionalist perspective argue France's use of activation was mostly symbolic until the late 1990s, a myth used to disguise the underlying assistance logic of social protection (Clegg and Palier, 2014, 205). Thus, what changed wasn't the level of conditionality as much as its enforcement. For example, France's first true minimum income scheme, *Revenu minimum d'insertion* (RMI), also technically included an activation dimension by requiring beneficiaries to sign *insertion* contracts (Bonoli, 2013, 95; Clegg and Palier, 2014, 206). Despite this, researchers argue activation was in name only and used to create social acceptance for the policy through the notion of *insertion* since the activation component of policies was neither seriously nor uniformly enacted (Clegg and Palier, 2014, 205). Furthermore, mutual obligations rhetoric has long applied to youth in a different sense. French society frowns upon the notion of youth receiving handouts and youth under the age of 25 generally do not have access to social welfare.¹¹

¹⁰ Other programs in France that subsidize public employment include *Les contrats d'emploi solidarité*, *Les contrats d'emploi consolidés*, *les Nouveaux Services Emplois Jeunes*, *le Contrat d'accompagnement dans l'emploi*, *Le contrat d'avenir*, and *Le contrat d'accompagnement dans l'emploi*. Although not all these programs specifically targeted youth, youth have represented a significant share of participants (Aeberhardt et al., 2011, 159-160).

¹¹ At the time this was the *Revenu minimum d'insertion* (RMI). Youth were not granted access even after protests toward the Socialist Jospin government in the late 1990s (Clegg and Palier, 2014, 209).

Despite this, youth may qualify for specific *insertion* programs. An example is *Contrat d'insertion dans la vie sociale* (CIVIS), created in 2005 to help low-skilled youth between the ages of 15 and 25 into employment through *missions locales* or *Permanences d'accueil, d'information et d'orientation* (PAIO) (Insee, 2016c). The *Prime pour l'emploi* (PPE) is another policy with the goal of “making work pay” and avoiding welfare traps by inciting individuals into the labour market. The policy, adopted by the Jospin government in 2001, urged individuals back into work by providing financial incentives for those who found employment (Vermare et al., 2008, 58). The PPE takes the form of a tax cut (or government cheque for those with salaries too low to be taxed) for low paid workers remaining in the labour market.¹² Finally, apprenticeships are another youth strategy. The government modified the apprenticeship program in 2004. The objective was to increase the number of apprentices by making the program more attractive for individuals and businesses (DG EMPL, 2017b).¹³ Apprenticeships were modified again in 2005. The reform specifically targeted those with disabilities (DG EMPL, 2017b).

Contemporary issues for youth employment include the cost of labour, labour market rigidity and dualization tendencies, and education and skill levels. The high cost of labour is understood to be an impediment to job creation in France. This is because inexperienced and less productive workers are overpaid (Cahuc and Carcillo, 2015, 54). Regulation and segmentation of the labour market, with fixed-term and open-ended contracts, are also important issues. Their significance is explained by the fact work contracts distinguish between permanent and temporary workers and provide different job security. A *Contrat de travail à durée déterminée* (CDD) is a non-permanent, or fixed-term work contract (Insee, 2016a). A *Contrat de travail à durée indéterminée* (CDI) is a regular, otherwise known as a permanent, contract (Insee, 2016b). These contracts have different implications for job security and different legal frameworks. Young workers are often unable to obtain CDI and can remain in atypical work for long periods. In this way, the Bismarckian tendency for social protection through status differentiation in France has created an unfortunate dynamic for youth. Without the benefit of stable work experience, the state treats youth as children, meaning policies define youth as dependents and not individuals in their own right.¹⁴ A lack of social protection persists for youth who have yet to successfully integrate the job market. Youth in France, therefore, have political and economic citizenship, but

¹² The policy is said to be largely inspired by similar policies in both the United States and the United Kingdom (Vermare et al., 2008, 60).

¹³ This includes a tax credit for businesses that hire apprentices.

¹⁴ Whereas recent literature has explained how activation policies can differ according to gender (Haux, 2013; Kowalewska, 2016), it is also imperative to understand how youth are affected by familial tendencies.

social citizenship remains fickle.

7.2.2. Reforms before the financial crisis

Before the effects of the financial crisis reached France, the main reforms affecting youth employment were administrative. A youth policy to target youth living in high-risk urban areas was also adopted.

The *Agence nationale pour l'emploi* (ANPE) and the *Association pour l'emploi dans l'industrie et le commerce* (ASSEDIC)¹⁵ were officially merged to create a new public employment service in January 2009, called *Pôle emploi* (République française, 2009i). *Pôle emploi* manages those in unemployment, determines the appropriate unemployment allocation per person, and accompanies them to reemployment. Although this administrative reform may not appear to target youth, improving youth unemployment was a policy goal.¹⁶

The administrative reform was accompanied by activation measures for the *Revenu Solidarité active* (RSA).¹⁷ The RSA is a means-based policy for those not in the labour market (RSA *Socle*) and a complementary source of income for the working poor (RSA *Chapeau*) (Bourgeois and Tavan, 2010, 123). It is an important policy change because it simplifies social benefit delivery by replacing multiple existing policies.¹⁸ The policy was in part designed to reduce unemployment fraud. It provides in-work benefits to reduce poverty traps as well as to decrease work disincentives.¹⁹ The policy redefines rights and responsibilities by systematically orienting benefit recipients not in the labour market towards employment through public employment services or individual counselling (Bourgeois and Tavan, 2010, 126). Insufficient participation can lead to removal from the program. Meaning the RSA extends negative financial incentives through increased benefit conditionality: signing

¹⁵ To avoid confusion between the *Union nationale pour l'emploi dans l'industrie et le commerce* (UNEDIC) and the ASSEDIC: The UNEDIC is the Union that federates the ASSEDIC, which is a network of associations that delivers the services (L'Express, 2008). Thus the ANPE is the public organism that administers benefits whereas social partners control the UNEDIC and ASSEDIC.

¹⁶ A report between the then Minister of Economy, Industry, and Employment, Christine Lagarde, and the *Conseil des missions locales* outlines means for better coordination between both organisms (Conseil national des missions locales, 2009) (République française, 2009c).

¹⁷ The RSA is the best-known *minima sociaux* in France. Insee defines *minima sociaux* as means-tested social benefits with the goal of ensuring a minimum income for individuals or families vulnerable to poverty (2016d).

¹⁸ It replaces the *Revenu minimum d'insertion* (RMI) and the *Allocation parent isolé* (API) and has three main objectives: fighting against inactivity traps, making work pay, and simplifying benefit delivery (Haut commissaire aux Solidarités actives contre la pauvreté, 2008, 12; Desmarescaux, 2009, 4 et 18; Bourgeois and Tavan, 2010, 123)

¹⁹ The RSA is an activation policy as it aims to remove obstacles to employment and one of the policy's main goals is to reduce the work disincentives creating poverty traps for individuals (Haut commissaire aux Solidarités actives contre la pauvreté, 2008, 5). The RSA aims to ensure that employment always leads to greater resources, and that benefits complement employment instead of being cut upon employment, which, according to the policy designers, leads to work disincentives and poverty traps. According to the government, increasing the minimum income created disincentives to join the labour market, whereas increasing the minimum wage had negative effects on the demand for labour (Haut commissaire aux Solidarités actives contre la pauvreté, 2008, 3-4).

a work contract.

Conspicuously lacking from this policy is coverage for individuals under the age of 25. Although the government eventually created the RSA *jeune actif* in 2010, the social benefit is not meant to apply to youth transitioning into the labour market. These benefits are only allowed for individuals under the age of 25 who meet established criteria. Namely, previous work experience (République française, 2010a). In this way, the RSA is a continuation of French youth policy in the sense it maintains familial and paternalistic tendencies. Youth over the age of majority continue to be seen as dependents with limited social citizenship rights unless they have accumulated steady work experience or have dependents.

The government also adopted two policies affecting youth in this period. First, a policy targeting youth living in high-risk urban areas was adopted in 2008.²⁰ Second, in December 2008 a law was adopted that included a provision creating a youth policy experimentation fund (République française, 2011).²¹ The state finances the fund and accepts public and private contributions with the goal of creating policies targeting 16 to 25-year-olds.

To summarize, three trends should be noted. First, many policies for youth under the age of 25 remain familial. For example, student grants are based on parental, not individual, income. Second, youth public policy is often paternalistic. This paternalism has resulted in a series of fragmented policies that, rather than incorporating youth into common law, represent narrow interests. For this reason, the term “*millefeuille administratif*” is often used to convey the complexity of youth measures (République française, 2013a, 14). Third, skill-levels and education are critical policy issues. As with most Western European nations, reducing NEET rates and improving education-levels are key issues in France.

7.3 Hypotheses

As with the other case chapters, in this section, I outline the theoretical expectations for the case. I explain how the hypotheses align with national factors to provide more context for the process-tracing portion of the chapter. The following subsections address policy learning, power resources and partisan preferences and historical institutionalist frameworks.

²⁰ In 2005, two youths were electrocuted while attempting to flee police in Clichy-sous-Bois, leading to weeks of civil unrest, protests and violence (Leclerc, 2015). This sparked debate on living conditions and safety in Parisian suburbs. Nicolas Sarkozy was the minister of Interior at the time.

²¹ The *Fonds d'appui aux expérimentations en faveur des jeunes* was by created in Article 25 of the *Loi no. 2008-1249* adopted on December 1st, 2008 and managed by the *Caisse des dépôts et de consignations*.

7.3.1. *Policy learning*

According to $H_{1,0}$, policymaking should be a cognitive process in which alternatives are evaluated. To refute the null hypothesis, there should be evidence of a search for alternatives such as meetings, commissions, and policy reports. I should additionally find evidence demonstrating an ongoing evaluation of alternatives and a consideration of how they fit in the national policy context.

$H_{1,1}$ specifies expectations for uncertain policymakers, who should be more susceptible to policy learning from outside influences. To determine whether or not the hypothesis applies to the case, I must ascertain if there is uncertainty. I analyze this using evidence such as interviews, committee reports, and parliamentary debates. Moreover, I specifically look for ideational influence and policy learning from the OECD and the EU. According to publications from these two international organizations, outlined in Chapter 1, I expect to find negative supply-side and positive supply-side financial incentives following mutual obligations policies. As both organizations promote education, VET and apprenticeships, I should also find both supply- and demand-side capacity human investment incentives.

7.3.2. *Coalition formation*

The coalition formation hypotheses reflect the order of policy preferences for a diverse set of actors including workers, trade unions, and politicians. To present the expectations for the French case, I situate these hypotheses within the national context.

To begin, $H_{2,0}$ states the assumption policymaking is a power-based process. To refute the null hypothesis, I must find evidence that powerful actors obtained their preferred policy solution. To do so, I identify the most influential actors in the French case. France's semi-presidential system is associated with high government control of policymaking. Although there is a possibility of cohabitation, which would affect the president and prime minister's power to adopt their policy agenda, this did not occur during the period. Thus, in the case of one-party government, I expect the government to be the most powerful actor. Social partners also have designated roles for collective bargaining at the regional and national-level (Eurofound, 2014a). Negotiation areas include solidarity mechanisms such as professional training. Social partners also coordinate the *Fonds Paritaire de Sécurisation des Parcours Professionnels* (FPSPP)²² which is used to finance professional training including for youth. Consequently, social partners exert an influence on in specific policy-making areas through collective agreements.

²² The fund is financed through mandatory employer contributions as well as government and European funding.

Continuing with $H_{2.1}$, the main lines of conflict are hypothesized to be determined by skill and social protection levels. To test this, I assess if France meets the scope condition of dualization. As explained earlier, corporate-conservative welfare state regimes, including France, have been found to contain strong dualisms. For instance, Häusermann and Schwander show there are substantial income and skill gaps between insiders and outsiders in this regime (2010, 26). Moreover, their research shows these differences are *not* improved by France's welfare state. Taxes and transfers have been found to increase dualization. Worker and trade union differences are expected to manifest themselves through a sharp division in activation incentive preferences.

Labour market demand should also affect actor positions. The European Centre for the Development of Vocational Training (Cedefop) provides a forecast of job opportunities by skill level. The French country report shows that there will be demand for high-skilled workers, whereas medium-skilled labour demand should stay the same and there should be a reduction in demand for low-skilled workers (Cedefop, 2015). Long-term trends for individuals 15 and over show low-skilled employment declined by approximately 6% from 2005 to 2013. Medium-skilled employment did not change drastically and high-skilled employment increased by approximately 4% (Cedefop, 2015). In line with the increase in demand for skilled labour, I expect to find employers requiring skilled workers have a vested interest in policies that improve human capital through concrete human capital incentives.

Finally, as stated in $H_{2.2}$, I expect activation incentives to be affected by party alignment. I determine party alignment by using the Manifesto Project's Left-Right scores available at the European Election Database.²³ Scores vary from -100 (left) to +100 (right) and are averaged using party manifestos from 1993 to 2007. The main parties in France, their partisan affiliation and score are: the Republican party under the *Union pour un Mouvement populaire* (UMP), a conservative-type party with an average center-left score (-10.5), and the *Parti Socialiste* (PS), a social democratic-type party with an average center-left score (-18.5). Meaning the two main parties in France skew to the left, despite having different ideological positions.

Technically, there were nine governments in France during the period.²⁴ However, I divide the timeline in two parts according to presidential terms in office.²⁵ This is because, despite

²³ http://www.nsd.uib.no/european_election_database/country/france/parties.html.

²⁴ Fillion I (May to June 2007); Fillion II (June 2007 to November 2010); Fillion III (November 2010 to May 2012); Ayrault I (May to June 2012); Ayrault II (June 2012 to March 2014); Valls I (April to August 2014); Valls II (August 2014 to February 2016); Valls III (February to December 2016); and Caseneuve (December 2016 to May 2017).

²⁵ This is stylistic. I recognize that presidents and prime ministers do not have the same powers in the French political

Table 7.1: France Debt to GDP Ratio

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Gross debt</i>	68.0%	78.9%	81.6%	85.2%	89.5%	92.3%	94.9%	95.6%	96%
<i>Annual deficit/surplus</i>	-3.2%	-7.2%	-6.8%	-5.1%	-4.8%	-4%	-3.9%	-3.6%	-3.4%

changes in government, the same party maintained power during each period. First, the UMP was in power under Nicolas Sarkozy from 2007 to 2012.²⁶ Second, the PS was in power with François Hollande serving as president from 2012 to 2017. Although the two parties in power skew left, the UMP is a conservative party. As such, I expect the conservative UMP to support negative supply-side financial incentives. I expect the PS to support concrete human capital incentives.

7.3.3. Feedback effects

The hypotheses on institutional effects take the welfare state regime in consideration. $H_{3,1}$ states where change occurs in corporative-conservative welfare state regimes, priorities should be towards recalibration through updating and cost-containment. To better understand the institutional effects at play, I analyze overall social expenditures and identify which programs are “mature” in each case. To do so, I use Eurostat Database indicators on government expenditures.

First, Table 7.1 shows general government gross debt in percentage of GDP and annual deficit/surplus throughout the period of investigation. France’s debt ratio begins at 68% in 2008 and rises continually throughout the period. In 2016 it is 28 percentage points higher than it was at the start of the financial crisis. This indicates there was consistent financial pressure during the period of analysis. As with the previous cases, I determine the relative magnitude of government debt by comparing it to the EU’s Stability and Growth Pact (SGP) and Fiscal Compact, which aims to ensure that member states maintain sound fiscal policies and avoid “excessive budget deficits or excessive public debt burdens” (European Union, 2017). Substantively, the SGP provides a medium-term objective of a maximum annual deficit of 0.5% GDP.²⁷ and a long-term objective of below 60% structural government debt in GDP in euro per reference year (European Parliament, 2012). Furthermore, countries exceeding the debt-to-GDP ratio should reduce their excess debt by one twentieth each year (European Parliament, 2012). France has surpassed the long-term government debt targets with the debt increasing throughout the period. What

regime and I process-trace all relevant actors.

²⁶ The Republican party was in power from 1995 on. However, Nicolas Sarkozy became president in 2007.

²⁷ Or 1% if the state respects the debt-to-GDP target

Table 7.2: France Expenditures as % of GDP 2015

Social Protection						
<i>Total</i>	<i>Old Age</i>	<i>Sickness and disability</i>	<i>Family and children</i>	<i>Unemployment</i>	<i>Social exclusion</i>	<i>Housing</i>
24.6%	13.6%	2.8%	2.5%	2%	1%	0.9%

is more, governments had deficits well above the 0.5% target for every year from 2008 to 2016. I, therefore, expect there to be significant pressure for fiscal austerity in France during the period.

Table 7.2 shows expenditures as a percentage of GDP for social protection by program in France in 2015. This provides a snapshot of the most expensive policy areas for the government.²⁸ As the table shows, nearly a quarter of GDP goes to social protection in France. Over half of that is for old age policies, a significant part of which funds pensions. Importantly, demographic pressures have continued, and World Bank demographic indicators show that as of 2015, 19.12% of France's population was over the age of 65. This figure has been rising since the mid-1980s. The fertility rate for 2015 was 2.01, which is below the 2.1 replacement rate. Sickness and disability, family and children receive 2% of GDP or more. These policy areas could potentially crowd out youth activation incentive spending. Compared to these policies, unemployment receives 2% of GDP, and social exclusion receives 1% of GDP.

Other factors to consider include power concentration through political institutions such as the political regime and the possibility of veto players. France has a proportional system with an asymmetrical bicameral legislature. The National Assembly is elected through a majority electoral system whereas a mixed system is used to elect the Senate. This system is associated with high government control of policymaking (Bonoli, 2001, 242). France has a two-round single member electoral system, which commonly leads to strong majority governments. Research shows one-party governments generally have a higher command of policy outcomes (Bonoli, 2001, 243). Additionally, the French system has a dual executive in which both executives have an active role. This duality may lead to conflict in cases of cohabitation when the president and prime minister are not of the same party (Bonoli, 2001, 244). However, there was no cohabitation during either sub-period. As such, I expect to find strong power concentration and high accountability in France during the period of investigation. Finally, social partners have an official role for social protection policy in France (République française, 2018). This means they have a greater ability to affect the policymaking areas where they have a formal role.

²⁸ Data from Eurostat COFOG data.

Table 7.3: Timeline of Youth Activation Policies in France

2007	UMP in power, Nicolas Sarkozy & François Fillion	
2008		
2009	(Financial crisis begins to affect France)	<i>Haut Commissariat à la jeunesse & Fonds d'investissement social pour l'emploi des jeunes</i>
2010		<i>Service civique & RSA jeune actif</i>
2011	(Social partners)	<i>Accord national interprofessionnel sur l'accompagnement des jeunes demandeurs d'emploi dans leur accès à l'emploi</i>
2012	Socialists in power, François Hollande & Jean-Marc Ayrault	<i>Emplois d'avenir</i>
2013		<i>Garantie jeunes (experimentation) & Contrats de génération</i>
2014	Manuel Valls replaces Jean-Marc Ayrault as Prime Minister	
2015		
2016		<i>Garantie jeunes & ARPE</i>

Now that I have fitted the hypotheses to the French case, the next sections explain policy change during the period of reference. Although the UMP government came to power in 2007, the analysis begins in 2009 as the financial crisis only started to affect France at that time. Table 7.3 is a timeline including the most relevant policies adopted during this period.

7.4 *Union pour un Mouvement populaire* Government

During the financial crisis, the UMP government first adopted a series of short-term policies to address cyclical youth employment issues related to the financial crisis. It then launched a broad consultation to inform a global youth strategy. This consultation led to the adoption of a series of initiatives including youth employment policies. Social partners also adopted a policy to respond to cyclical issues stemming from the financial crisis. The policies adopted consist of a mix of employment subsidies, employment services, increased labour search incentives and fiscal incentives.

7.4.1 *Cyclical initiatives*

As the crisis began to have tangible effects on the French economy, the government adopted a series of cyclical initiatives visible in Table 7.4. In February of 2009, following demands by unions, President Sarkozy announced the creation of the *Fonds d'investissement social* (FISO) to help workers affected by the financial crisis, including youth. FISO funding for

Table 7.4: UMP Activation Incentives

	Incentive Mechanism			
Labour Market Lever	Negative Financial Incentives	Positive Financial Incentives	Organizational Human Capital Incentives	Concrete Human Capital Incentives
Demand-Side	I <i>Incentives to encourage employment</i> Enforcing fiscal penalties for non-compliant businesses	III <i>Subsidized employment</i> FISO PUEJ CUI reform	V <i>Administrative Services</i>	VII <i>Company Training</i>
	II <i>Increased labour search incentives</i> RSA jeune actif	IV <i>Fiscal incentives</i> Contrats d'autonomie RSA jeune actif Service civique	VI <i>Employment Services</i> FISO PUEJ ANI	VIII <i>Upskilling</i> E2C
Supply-Side				

youth was primarily for apprenticeships and study-work contracts (Sarkozy, 2009b). These policies lowered the cost of youth labour through subsidies and bonuses for employers who hire youth as apprentices, for study-work contracts leading to a certification, or for internships (Sarkozy, 2009b). The president also announced subsidies for employers hiring interns leading to a CDI (Sarkozy, 2009b). Furthermore, he announced the creation of additional *contrats initiative emploi* (CUI-CIE) and *contrats aidés*. These policies are classified as subsidized employment activation incentives.²⁹

FISO initiatives for youth included employment service incentives. For instance, the president announced counselling services and partial funding for an education program. Apprentices who dropped out of employment would also be monitored to ensure they rapidly found a new apprenticeship (Sarkozy, 2009b). *Pôle emploi* was meant to simplify school-to-work contracts and provide more places in employment services for counselling for those who wanted to sign up for such schemes (Sarkozy, 2009b). The president also announced the government would provide funding to help youth who dropped out of high school, known as *Écoles de la deuxième chance* (E2C) (Sarkozy, 2009b). Many of these policies were short-term programs with limited financing.

In April, the president announced a series of measures to reinforce existing employment policies for 16 to 25-year-olds called *Plan d'urgence pour l'emploi des jeunes* (PUEJ). These measures broadly cover three areas: study-work contracts, training, and increasing the number of subsidized employment contracts in both the private and public sectors (INJEP, 2009). In addition, the president tasked an employer with the mission of creating a charter to promote apprenticeships (République française, 2009f).³⁰ As with the FISO, these measures represent employment subsidy incentives because they lower the cost of youth labour through subsidies and financial incentives for employers who hire youth (INJEP, 2009). Finally, President Sarkozy stated he would encourage employers to hire youth.

²⁹ Sarkozy explains this strategy during a 2011 speech on youth employment: "Rather than compensate redundant employees, we will help businesses maintain jobs and partial employment" (author's translation) (Sarkozy, 2011).

³⁰ The final report, *Promouvoir et Développer l'Alternance* was published on November 9th, 2009.

Businesses with over 250 employees should hire 3% of employees either in study-work contracts or an apprenticeship tax would be imposed (Sarkozy, 2011). He also proposed to raise the proportion of study-work contracts to 4% and adjust taxes according to the actual rate within the company. These represent incentives to encourage employment.

In 2011, social partners went beyond their mandate to adopt an *Accord national inter-professionnel sur l'accompagnement des jeunes demandeurs d'emploi dans leur accès à l'emploi* (ANI) to accompany youth into employment (Partenaires sociaux, 2011). The ANI aims to usher qualified and unqualified youth into employment via various administrative services. It also provides exceptional funding from the *Fonds Paritaire de Sécurisation des Parcours professionnels* (FPSPP) for youth support. This policy represents employment services incentives.

7.4.2. *Structural initiatives*

In 2009, the UMP created the *Haut Commissariat à la jeunesse* (Légisfrance, 2009). The commission notably led to a broad consultation and the publication of youth policy recommendations (Haut commissaire à la jeunesse, 2009). Substantively, two youth employment policies were adopted: the civic service³¹ and the *Revenu Solidarité active jeune actif* (RSA *jeune actif*).

The government adopted the civic service in 2010. It is meant to reinforce social cohesion by allowing individuals between the ages of 16 and 25 to volunteer for collective interest projects for a period of six to 12 months in exchange for a stipend (République française, 2010b, 2). Work requirements mean the policy includes fiscal incentives. The RSA *jeune actif* was adopted in 2010 and extends social benefits to youth who meet established criteria. It provides youth access to the minimum income benefit while also creating negative increased labour search incentives for those under the age of 25 with employment history to reintegrate the job market. This policy can be classified as increased labour search incentives type in the typology in Table 7.4 as well as fiscal incentives due to the financial aid provided when unemployed.

Finally, the government adopted administrative reform affecting youth in 2010. The *contrat unique d'insertion* (CUI) was created in order to consolidate the various *contrats aidés*. *Contrats aidés* have the objective of reducing unemployment in the short term for those furthest from the labour market (Cour des comptes, 2016, 54-60). CUI come in two forms, the *contrat unique d'insertion-contrat initiative d'emploi* (CUI-CIE) for the retail sector and *contrat unique d'insertion-contrat d'accompagnement dans l'emploi* (CUI-CAE) for

³¹ *Service civique.*

the non-retail sector (Cour des comptes, 2016, 30). These contracts are meant to help youth integrate the labour market by reducing the cost of labour. Essentially, they represent subsidies for employment delivered through local missions (Cour des comptes, 2016, 31).

7.5 Theory Testing and Narrative

In this section, I analyze the policymaking process during the period by investigating the decision to invest in measures to reduce youth unemployment through the *Fonds d'investissement social* (FISO) and the *Plan d'urgence pour l'emploi de jeunes* (PUEJ). I also process-trace the decision to extend the RSA to individuals between 18 and 25-years-of-age as part of a global youth plan, *Agir pour la jeunesse* (AJ). These policies provide an understanding of the government's strategy during the crisis. They generally represent a continuity of the logic of action. However, the decision to extend the RSA introduces a new logic of action to France's typically familial youth policy.

7.5.1. Issue salience

I first determine if youth was a salient policy issue prior to the financial crisis. Evidence demonstrates that, although youth unemployment has long been recognized as an issue in France (Schwartz, 1981), it was not a high priority at that time. For example, although leading presidential candidates made electoral commitments affecting youth in 2007, youth employment was not a key electoral issue.³² More specifically, Nicolas Sarkozy's campaign focused on the economy and law and order (Sauger, 2007, 1170). Where these issues intersected with youth, the campaign emphasized labour market liberalization and the value of work over a broader youth employment policy. The UMP's legislative agenda further demonstrates that, even though reforms affecting youth were adopted, youth employment was not an immediate priority.

A lack of significant youth employment policies notwithstanding, there is evidence of dissatisfaction with the issue. Various actors including social partners, government officials, and experts participated in discussions on youth's transition into the labour market (Haut commissaire aux solidarités actives contre la pauvreté, 2008; Haut commissaire aux Solidarités actives contre la pauvreté, 2008). Moreover, an interviewee explains President Sarkozy acknowledged his government had yet to adopt measures to address widespread

³² Candidate Sarkozy argued in favour of a "Marshall Plan" to invest in at-risk neighbourhoods. This included ensuring youth receive adequate education and employment opportunities (Sarkozy, 2007b; UMP, 2007, 10). These promises would later become *Espoir Banlieue*, a much smaller policy. Sarkozy's main opponent, Ségolène Royal, also made promises to improve youth's transition into active life (Royal, 2007, 8). The Socialist party candidate made youth employment an issue by advocating for policies to improve youth's transition to active life such as the right to a first job for youth to ensure that no youth remains unemployed longer than six months without gaining access to training, an *emploi aidé* or paid tutoring as well as the creation of 500,000 springboard jobs for youth (Royal, 2007, 8). Royale also proposed zero-interest loans for youth projects (2007, 8).

youth unemployment during a meeting in 2008 and stated he planned to act in the future (Interview ETUC, 2016, 67). Evidence from other policies at that time demonstrates the UMP's dissatisfaction related to a need to increase skills and work experience.

An example of this can be found in the main policy addressing youth employment before the financial crisis, *Espoir Banlieue*. The primary policy objective was to reduce inequality between at-risk working-class and suburban areas - especially those with high proportions of ethnic minorities - and the rest of France. To do so, it addresses a variety of issues including security, employment and education (Sarkozy, 2008c).³³ Although this shows there was dissatisfaction with the overall issue of youth employment, policy solutions represent continuity. New logics of action, such as introducing financial benefits to youth, were explicitly avoided. As President Sarkozy explained it, he emphasized mutual obligations and refused to create a hand-out culture for youth (Sarkozy, 2008d).³⁴

This approach towards youth should be understood in context with the UMP's labour market and administrative reforms. Labour market liberalization, full employment, emphasizing the value of work, and reducing benefit fraud were all policy priorities (République française, 2007a; Sarkozy and Fillion, 2007). Part of the UMP's strategy was to adopt labour and social policies inspired by the UK's New Deals (Sarkozy, 2007a). These policies³⁵ were meant to reduce barriers to work and create obligations to return to employment (Sarkozy, 2007a). Multiple actors, including a UMP party member, introduced amendments to extend the new policy to individuals under the age of 25 (Sénat français, 2008; Daubresse, 2008). Despite this, policymakers from across the aisle decided not to adopt the amendments. One reason for this was a fear that broadening access to youth would create perverse incentives leading to a benefit culture (Daubresse, 2008). Policymakers were, therefore, aware of concerns about youth unemployment and poverty. However, this did not initially lead them to change their approach to these issues.

7.5.2. The government's reaction to the crisis and pressure for a social response

As the financial crisis began to impact France, the UMP government adopted emergency measures to protect financial institutions (Jabko and Massoc, 2012). Similarly to Gordon Brown in the UK, President Sarkozy advocated a Keynesian response to the crisis (Giles

³³ The policy, which came under heavy criticism (Galaud, 2009), was eventually abandoned and never received appropriate funding (Vignal, 2011).

³⁴ University reform is another example of the government's priorities for youth. Among other matters, the *Loi no. 2007-1199 du 10 août 2007 relative aux libertés et responsabilités des universités* targets skill levels by addressing university failure rates and how universities promote professional *intégration* (Sénat français, 2007).

³⁵ *RSA socle* and *RSA chapeau*.

et al., 2008). The government presented a recovery plan in December 2008 that invested in various sectors of the economy and measures for workers affected by the crisis (Sarkozy, 2008a,b). During this period, the parliament debated high youth unemployment, but no new policies resulted from this (Assemblée nationale, 2008). Documents and debates show no signs of increased uncertainty. According to an interviewee working on youth policy at the time, civil servants and contract employees did not experience an increase in uncertainty (Interview DGEFP, 2016, 122). They maintained a precise definition of youth unemployment as a lack of labour demand and believed youth could remain in education while awaiting a better job market. The same informant claimed the financial crisis and recession did not alter the course of public policy (Interview DGEFP, 2016, 122). As of January, the government took steps that would eventually lead to a commission on youth. However, findings show the decision to create a social investment fund that includes measures to reduce youth unemployment only came after significant pressure from actors outside the government.

Social partners, specifically trade unions, played an important role in the decision to invest in social measures after the financial crisis. Their actions support H_{2,0}, that policymaking is a power-based process with actors creating coalitions to impose their interest. In early January, eight unions³⁶ published a joint statement announcing a day of protests and presenting demands for a social response to the financial crisis (Organisations syndicales, 2009). The government responded to these tactics with a televised event in which the president proposed a series of measures. These were later discussed with social partners during a social summit. Despite this, trade unions maintained a common front and continued to pressure the government by announcing a second strike before the social summit took place.

In the lead up to the summit, the government held bilateral meetings with social partners (République française, 2009l).³⁷ Analysis of actor demands demonstrates youth unemployment was not a priority for these social partners or the government. Nevertheless, it was discussed (Assemblée nationale, 2009a) and the High Commissioner for Youth was present during meetings preceding the summit.³⁸ These negotiations eventually led to a series of

³⁶ CFDT, CFTC, CFE-CGC, CGT, FO, FSU, Solidaires, UNSA.

³⁷ This includes unions (CFDT, CFTC, CGT, FO and CFE-CGC) and employer organizations (MEDEF, CGPME and Upa).

³⁸ Among demands made by social partners, the CFDT advocated extending the RSA to 18 to 25-year-olds, the FO proposed a grant for youth who don't qualify for unemployment insurance, the CFTC wanted better financial compensation for youth via a professional transition contract and the employer association CGPME advocated for tutoring and professionalism courses during the last year of university (République française, 2009n). President Sarkozy also proposed financial aid for unemployed youth who were unable to contribute sufficient amounts to qualify for unemployment benefits (République française, 2009g).

investments.

7.5.3. *Temporary investments for youth*

The government ultimately decided to create a social investment fund, FISO, as a two-year temporary response to the crisis. The president announced further youth employment measures at the end of April under the name *Plan d'urgence pour la jeunesse* (PUEJ).

The trade union *Confédération française démocratique du travail* (CFDT) is credited with the idea for the FISO. Leading up to the February summit, the CFDT proposed the creation of a €5 to 7 million social fund financed by suspending a 2007 law that notably exempted tax on overtime work (2009).³⁹ Although the government maintained the idea of a social fund, it was financed and piloted by the state and social partners (Les Travaux Publics, 2009, 1). Upon explaining the functioning of the FISO, the government announced the fund would include specific measures for youth employment (République française, 2009h). Some of the CFDT's ideas were adopted. Others, such as providing financial benefits to youth, were not (2009). Instead, the UMP government used the fund to finance policies that aligned with its campaign pledge of increasing the value of work by reinforcing youth employment and training policies. Specifically, apprenticeships, policy experimentation for school drop-outs and support for various measures to support youth employment (Les Travaux Publics, 2009, 2). The FISO was also used to manage the PUEJ.⁴⁰

The government adopted the same rhetoric for the PUEJ as it had for the FISO. As a UMP party member stated, the objective was to “Not to provide handouts, but to help youth enter the labour market and to provide the means for autonomy” (Assemblée nationale, 2009i).⁴¹ During a speech on youth employment, President Sarkozy stated the focus would be towards work in private, not public, sectors and that any public or non-profit sector jobs should provide transferrable competencies (Sarkozy, 2009b). He also said he would prioritize apprenticeships and study-work contracts as policy solutions (Sarkozy, 2009b).

After these announcements, youth remained on the policy agenda and various actors tried to influence policymaking. For instance, the PS and their youth wing presented four emergency measures to invest in youth jobs (Le Parisien, 2009b).⁴² Later that month, the

³⁹ Other unions supported measures to increase wages and reduce layoffs (Le Monde, 2009; Le Parisien, 2009a).

⁴⁰ The PUEJ was funded via the *Plan de relance de l'économie* created in December 2008 and includes some FISO funding (Perrut, 2009).

⁴¹ Author's translation. Benoist Apparou: “Il n'est pas question pour nous de les assister, mais de les aider à entrer sur le marché du travail et de leur donner ainsi les moyens de leur autonomie.”

⁴² This includes *insertion* contracts in the public and private sectors, a training benefit, and adjusting state employment

UMP's youth wing published a white paper that, among other things, called for study-work recruitment, raising internship salaries, temporary incentives for businesses to hire youth and the creation of a civic service (Sbaihi et al., 2009). Youth unemployment was also consistently discussed in parliament (Assemblée nationale, 2009c,f).

7.5.4. Actor preferences

While social partners were heavily involved in the policymaking process for these short-term investments, the initiatives found in the PUEJ maintain the government's existing notions on youth employment. Thus, the main concession was to increase investment. Findings indicate actors had diverging interests and social partners and opposition parties were generally unsatisfied with the PUEJ.

Actions taken in February and April provide evidence of how the government's position on youth unemployment evolved during this period. Before union pressure, the government increased budget credits for youth by nearly 15% but had no plans for additional investments (Assemblée nationale, 2009c).⁴³ As pressure continued to mount, the government began announcing new investments. Steps to review youth policy more generally were also taken, as further explained in the next subsection.

Secretary of State for Employment, Laurent Wauquiez, stated the government had three priorities: study-work programs, ensuring unemployment insurance is accessible⁴⁴, and youth guidance (Assemblée nationale, 2009h). Another government official, the High Commissioner for Youth Martin Hirsch, stated social partners, employers and economic actors converged on the idea of study-work programs (Assemblée nationale, 2009f). In addition to emphasizing common ground between actors, Hirsch defended the PUEJ by saying the government was investing in measures that had already been considered during past unemployment policy discussions. In this way, the government was investing in measures that represented "levers considered by all actors in the *Grenelle d'insertion*⁴⁵ – local missions, social partners, associations, localities – to be good levers" (Assemblée nationale, 2009).⁴⁶ Despite criticism from certain actors, the government maintained its stance (République

compensation rights.

⁴³ On January 13th, a Socialist Party member inquired as to whether the government would increase the budget for the *Fonds d'insertion professionnel des jeunes* to help youth affected by the crisis (Assemblée nationale, 2009c). The government representative stated budget credits for youth had already increased by nearly 15% in the 2009 budget and no new investments were mentioned (Assemblée nationale, 2009c).

⁴⁴ Youth's access to unemployment insurance was modified in December 2008 and February 2009.

⁴⁵ A forum which discussed long-term unemployment issues

⁴⁶ Author's translation. Hirsch: "[...] nous avons débloqué 1,3 milliard d'euros pour des leviers considérés par tous les acteurs du Grenelle de l'insertion - les missions locales, les partenaires sociaux, les associations, les collectivités territoriales - comme de bons leviers. Il s'agit d'abaisser le coût de l'apprentissage et celui du contrat de professionnalisation, de favoriser leur prescription par les différents acteurs, dont les missions locales et Pôle emploi, de donner un coup de pouce au contrat initiative emploi et au contrat d'accompagnement dans l'emploi, et de favoriser la transformation des stages en CDL."

française, 2009e). The UMP held a majority government and was able to adopt measures without the assistance of opposing political parties. In this way, institutional factors helped the government establish its preferences.

Although the government had clear priorities, there was dissent within the party on the level of investment. During budget corrections on March 19th, seven UMP members and one *Centre des démocrates sociaux* member⁴⁷ proposed an amendment to further invest in youth (Assemblée nationale, 2009b). These representatives shared the government's stance against further increasing the deficit, but had a different hierarchy of spending priorities as they believed the FISO should be used to target youth and that youth leaving school without qualifications was a major policy issue (Assemblée nationale, 2009b).⁴⁸ Budget Minister Éric Woerth responded by stating there would be no changes.⁴⁹ When the issue of youth unemployment was brought up again at the end of March, a UMP party member stated measures to increase apprenticeships and professional contracts would be announced shortly (Assemblée nationale, 2009g).⁵⁰

Employers associations generally approved of the measures found in the PUEJ. According to Martin Hirsch, employers specifically requested the employment subsidies in the PUEJ (Assemblée nationale, 2009j).⁵¹ Although many policies in the PUEJ align with employer interests, evidence indicates employer associations did not regard the fund as a priority because a similar long-term training fund, the *Fonds paritaire interprofessionnel de sécurisation des parcours professionnels* (FPSPP), had been created a little over a month prior to the social summit. According to the president of the most significant employer association in France, MEDEF, the FPSPP could have been used to finance the proposed initiatives and the FISO was wasteful and could potentially lead to irrelevant training (Parisot, 2009).

Other actors held mixed opinions on the fund. For example, using study-work contracts to help youth integrate employment was approved by actors such as the PS, *Force ouvrière* (FO) and the CFDT (L'Obs, 2009). However, unions, political parties and student as-

⁴⁷ Pierre Méhaignerie, Charles de Courson, Jean-Paul Anciaux, Étienne Pinte, Yannick Favennec, Didier Quentin and Pierre Cardo.

⁴⁸ The social security deficit is pointed out as an issue by Pierre Méhaignerie.

⁴⁹ “[Ce fonds] est suffisamment doté pour les actions à engager aujourd’hui. Nous verrons, par la suite, en fonction des besoins mais, pour l’heure, il n’y a pas nécessité de financement particulier. Dans le fonds d’investissement social, des centaines de millions d’euros sont ciblés sur les jeunes, Martin Hirsch l’a rappelé à maintes occasions. Outre les mesures d’investissement, de nombreuses mesures sociales ont donc été prises en direction des plus fragiles mais aussi des plus jeunes” (Assemblée nationale, 2009b).

⁵⁰ Hervé Novelli: “MM. Laurent Wauquiez et Martin Hirsch annonceront des mesures fortes portant sur l’apprentissage, sur les contrats de professionnalisation.”

⁵¹ “Ce sont les employeurs qui ont demandé ces mesures” (Assemblée nationale, 2009j).

sociations criticized other elements. More specifically, the PS, CFDT, CGT, FO, UNEF, FAGE, the Green party, the Communist party, and the FN criticized the PUEJ. Some actors disapproved entirely, whereas others wanted more substantial investments and the creation of new policies. For example, PS president Martine Aubry stated the PUEJ did not create new measures and simply replaced funding cut in the 2009 budget (L'Obs, 2009).⁵² Unions also criticized the fund for insufficient investments (Franceinfo, 2009) and continued to pressure the government for further action (Syndicats français, 2009). The CFDT and FO were particularly critical that the PEUJ includes FISO funding rather than receiving new funding (L'Obs, 2009; Finet, 2009).

While unions created coalitions to attempt to impose their interests, advocacy for youth initiatives does not necessarily support H_{2,1}; the main lines of conflict in for social policy adoption are determined by skill and social protection levels. This is because unions often represent labour market insiders. The CFDT, for example, is one of the largest unions in France. It does not identify with a political party or ideology,⁵³ and mainly represents labour market insiders.⁵⁴ A CFDT representative acknowledged the union is primarily composed of middle-aged established workers (Interview CFDT I, 2016, 103). However, the interviewee also explained they discuss youth issues, and there is an effort to integrate new social risks (Interview CFDT I, 2016, 104).

H_{2,2} expresses that left-leaning governments favour concrete human capital incentives and right-wing parties favour negative supply-side incentives. In this case, it is not possible to reject the null hypothesis. The UMP, a centre-right government, did not adopt negative supply-side incentives. Instead, it promoted a mix of incentives including organizational and concrete human capital incentives via second chance schools, apprenticeships and study-work contracts. The UMP also promoted employment subsidies and fiscal incentives. The findings demonstrate opposition parties criticized the government, but left-wing parties did not solely advocate for human capital incentives. They also demanded increased funding and subsidies for public employment. For example, a PS party member advocated for *emplois jeunes* (Assemblée nationale, 2009e).

7.5.5. *Public consultation and ideational influence for the RSA jeune*

In September 2009, *Agir pour la jeunesse* (AJ) was announced, which included RSA *jeune* as a flagship initiative. Process-tracing provides evidence this policy slowly gained

⁵² The government's proposal of €1,3 billion in funding was also less than the PS's proposed €4 billion (Le Parisien, 2009b).

⁵³ Other unions that advocated youth policies during this period, such as FO, also studiously avoid political affiliations and have a diverse membership (FO, 2018; Haut conseil du dialogue sociale, 2018).

⁵⁴ It represents members from both the public and private sector (CFDT, 2018).

acceptance via years of advocacy and a broad consultation on youth issues in the spring of 2009.

Youth in France are not considered to be fully autonomous adults until the age of 25. For this reason, extending the RSA to 18 to 25-year-olds represents an adjustment to France's overall familial logic of action for youth policies. One interviewee explains this familism as a fear that allowing youth to access such benefits would lead to laziness (Interview CESE, 2016, 85). There is also a cultural element, with many people believing youth need to prove themselves to become adults (Interview INEJP 2016, 47; Interview CESE, 2016). For example, youth under the age of 25 were purposefully not given access to France's minimum income scheme, the RMI (Interview CESE 2016, 82). This is because policymakers explain high youth unemployment to be the result of the high cost of labour and youth's lack of experience. Consequently, the state treats youth up to the age of 25 as dependents, and other policies have been created to fill any gaps for this group (Interview CESE, 2016, 87).

Extending the RSA to 18 to 25-year-olds without children has been debated in multiple forums since a commission for the policy was created in 2005 (Haut commissaire aux Solidarités actives contre la pauvreté, 2008; Daubresse, 2008; COE, 2008, 50-51).⁵⁵ Actors, including the CFDT, have advocated extending the policy to 18 to 25-year-olds (Le Monde, 2009). But senators and members of parliament from across the aisle rejected this extension for fear it would create perverse incentives and lead to an assistance culture among youth (Sénat français, 2008; Daubresse, 2008). Providing access to youth with work experience was also debated as a possible exception, but it was not adopted (Daubresse, 2008). Although the government did not extend the RSA to youth when the policy was created in 2008, legislative debates demonstrate there was a willingness to create a new commission for youth autonomy and to fund experimental youth measures with a specific emphasis on 16 to 25-year-olds (Sénat français, 2008). As a compromise, the government adopted an amendment to create an experimental fund for youth - the *Fonds d'expérimentation pour la jeunesse* (FEJ) (Sénat français, 2008; Hirsch, 2009a).⁵⁶ The idea of extending the RSA to youth was not seriously debated again until the president created a High Commission for Youth in 2009.

The government created the role of High Commissioner for Youth by removing youth

⁵⁵ The official report for the RSA calls for solutions to apply the logic and objectives of policies such as the RSA to youth without actually extending the policy (Haut commissaire aux Solidarités actives contre la pauvreté, 2008, 51).

⁵⁶ This fund was later used for policy experimentation under the High Commission for Youth (INJEP, 2018b) and received increased funding in 2009 (Perrut, 2009).

from the Ministry of Health, Youth and Sport's portfolio (République française, 2009d).⁵⁷ The president confided the role of High Commissioner to Martin Hirsch. Formerly the High Commissioner for Poverty and Social Solidarity, Hirsch had worked on the implementation of the RSA. In the process, he led *Grenelle insertion* a forum which discussed long-term unemployment issues (République française, 2008a). These included identifying and proposing objectives and tools to improve youth's transition into stable employment (Haut commissaire aux solidarités actives contre la pauvreté, 2008, 33-36).

According to sources, Hirsch acted as a policy entrepreneur with clear goals (Interview ETUC, 2016; Interview CESE, 2016, 92; Interview CFDT II 2016).⁵⁸ Interviewees state that, having a deep understanding of how the government operates, he wanted to remain autonomous. For example, an individual who worked with Hirsch explained that, although he was previously offered a position as a minister, he wanted to avoid the trappings of a ministry (Interview CFDT II, 2016, 136-137). The same interviewee stated Hirsch's goal was to use the High Commission to consult with actors and to implement policies rapidly.

Although youth was a visible policy issue due to rising unemployment from the financial crisis, the new portfolio was created in the context of education reform (République française, 2009b; Floc'h, 2009). It then became entwined with the financial crisis as the president increasingly mentioned the High Commission after the social summit. For example, it was announced that social partners, youth representatives, local authorities and various other actors would be consulted on the theme of youth autonomy (République française, 2009m). The commission⁵⁹ was officially created on March 9th with the explicit objective of leading to a new youth policy (La documentation française, 2009).⁶⁰ Multiple actors also circulated policy ideas on how best to solve youth unemployment during this period (COE, 2009; Sbaihi et al., 2009; Le Parisien, 2009b).

The commission provides evidence of openness to policy learning and consideration of

⁵⁷ President Sarkozy is credited with the idea to create the commission. According to him, he requested Hirsch reflect on a youth policy with autonomy as an overarching theme (Sarkozy, 2009a). Martin Hirsch, confirmed the idea to create a High Commission came from the president. Hirsch also stated that youth issues were in part related to the crisis and he had signalled their importance in early November 2008 (Guibert and Leparmentier, 2009).

⁵⁸ Hirsch also states he was concerned about youth issues and he and another minister made a series of recommendations to respond to the crisis with a strong emphasis on youth (Guibert and Leparmentier, 2009).

⁵⁹ The *Commission de concertation sur la politique de la jeunesse*.

⁶⁰ In June, the Secretary of State responsible for Employment stated the aim of the commission was to adopt all necessary decrees as soon as possible to have policies in place in the fall (Assemblée nationale, 2009d). Laurent Wauquiez: "Le travail réalisé avec Christine Lagarde et Martin Hirsch a consisté à adopter, le plus rapidement possible, tous les décrets afin de nous doter des outils opérationnels, pour que, dès la rentrée, nous puissions accompagner, le mieux possible, les jeunes dans cette période difficile" (Assemblée nationale, 2009d).

policy alternatives.⁶¹ Youth issues are defined broadly and described as an accumulation of interlocking factors, making a single structural reform impossible, and requiring simultaneous changes on multiple fronts.⁶² The commission report then discusses means for resolving these issues.

When discussing Hirsch's role, interviewees mentioned how he helped introduce new kinds of policy experimentation and was inspired by the economics professor Esther Duflo (Interview INJEP, 2016, 48; Interview CFDT II, 2016, 136). Along with Duflo, Hirsch cited another economics professor, Eric Maurin, as influences for social policy experimentation and evaluation (Guibert and Leparmentier, 2009). Policy analysis and evaluation are not new in France. The government has multiple statistical departments used for policy analysis, such as DARES⁶³ in the Ministry of Employment, and DREES⁶⁴ for social ministries. However, an interviewee with knowledge of the policymaking process acknowledged policy experimentation through a random selection model as advocated by these economists is new and has gained favour with French technocrats, senior officials and experts (Interview CESE, 2016, 90-91).⁶⁵ Furthermore, the creation of the FEJ provided the ability to fund youth policy experiments (INJEP, 2018b).⁶⁶

Despite Hirsch's broad preference for policy experimentation and the presence of the FEJ, there is no evidence this led to an experimentation or an evaluation of extending the RSA to youth with work experience before the president announced it in September 2009.⁶⁷ In an interview with *Le Monde*, Hirsch, who argued against extending the RSA to 18 to 25-

⁶¹ The youth commission's final report also demonstrates an openness to learning from other countries. For example, the report compares various youth indicators in France with other countries (Haut commissaire à la jeunesse, 2009, Annex 1). It also analyzes heritage endowment systems for youth in other countries (Haut commissaire à la jeunesse, 2009, Annex 6) and includes an in-depth comparison with Denmark, including how the Danish model could be imported to France and the various adaptations necessary to do so (Haut commissaire à la jeunesse, 2009, Annex 7). Interviewees also provided past examples of policy learning from abroad (Interview DGEFP, 2016, 128; Interview CFDT II, 2016, 140-141). However, there is no evidence this influenced the decision to extend the RSA.

⁶² This includes an education system that ill-prepares youth for professional life; criteria selection that can make certain individual situations irreversible (few second chances); an orientation system that is problematic; fragile links between education and the private sector; a too small role for firms in youth education and orientation; multiple, uncoordinated actors; and an asymmetric allocation of resources and support that benefits certain youth while leaving others behind (Haut commissaire à la jeunesse, 2009, 11).

⁶³ *Direction de l'animation de la recherche, des études et des statistiques.*

⁶⁴ *Direction de la recherche, des études, de l'évaluation et des statistiques.*

⁶⁵ Although multiple actors participated in the youth commission, one expert also credits the Charvet and Foucault Reports with paving the way for the commission. She states that policy diffusion takes time in France and these reports, published in 2001 and 2002 respectively, made their way through the policy subsystem. Additionally, Hirsch and Jean-Baptiste de Foucault know each other well, according to the source, and Foucault's ideas can be found in the commission (Labadie 2016, 49).

⁶⁶ The idea of policy experimentation and a commission for youth autonomy existed prior to the crisis affecting France's economy. A representative proposed an amendment for policy experimentation on a youth RSA, which was rejected (Daubresse, 2008). Amendment by Roland Muzeau, Gauche démocrate et républicaine.

⁶⁷ In parliament, Hirsch does not mention policy experimentation for youth or any change in information between the December 1st, 2008 debate when the RSA for under 25 if not adopted and the 2009 budget debates (République française, 2009a).

year-olds on multiple occasions (Hirsch, 2009b),⁶⁸ explained arguments against allowing youth access social benefits had not changed since the late 1980s (Guibert and Leparmentier, 2009). Regarding the youth commission, various actors met to discuss issues and objectives related to youth autonomy, but there was no consensus on the “product” they wanted (Guibert and Leparmentier, 2009). The High Commissioner was also clear that the necessary analyses on the effects of providing financial benefits for youth in various situations as well as the effects employment and tax benefits had not yet been conducted (Guibert and Leparmentier, 2009).⁶⁹

There was extensive experimentation on the RSA between 2007 and 2008 (République française, 2008b), and experimentation on measures to provide financial benefits directly to youth as of 2009 (République française, 2009j). Nevertheless, this did not apply to individuals between the ages of 18 and 25 without children and some of the experimentation occurred for different policies after the RSA *jeune actif* was announced. This signals that, while there are signs of that policymaking for the AJ was a cognitive process in which alternatives were evaluated, policy learning was not a critical factor driving the decision to extend the RSA to youth. Instead, working 18 to 25-year-olds became a suitable target group for the RSA despite actors maintaining their general positions on this issue. This is because the RSA *jeune actif* includes work criteria, which means not all youth can access the benefit upon leaving school.

To explain the significance of work criteria, one interviewee explained that France’s paternal youth policy is partially a legacy of nostalgia for military service. There is a general notion that youth must experience trials to become an adult and military service was traditionally perceived as a barrier individuals must cross to become full citizens (Interview CFDT II, 2016, 143). New policies have replaced this notion with work or civic engagement (Interview CFDT II, 2016, 143-144). For an example of the logic behind this acceptability, I examine the youth commission. The commission discusses youth’s access to the RSA in its final report. It states income support for youth should be distinct from other target groups. It also reasons youth should be excluded from minimum income benefits to ensure they do not immediately access benefits upon reaching the age of maturity. Nevertheless,

⁶⁸ “Il n’y aura pas le RSA généralisé aux jeunes, appliqué aux jeunes, pas le même système. Pourquoi ? Parce que, autant je défends comme vous voyez becs et ongles le RSA à partir de 25 ans, autant je fais partie de ceux qui pensent que juste transposer le même système dès la sortie du système scolaire, ça présente le danger d’aller davantage vers les dispositifs d’aide sociale que vers le travail ou la qualification” (Hirsch, 2009a).

⁶⁹ “Le mot d’ordre donné par le président de la République est l’accès à l’autonomie, en conciliant responsabilité et solidarité. Jusqu’à présent, les promoteurs de l’allocation d’autonomie n’ont répondu ni à la question de la prise en compte du revenu des parents, ni aux différences de statut (étudiant ou autre) des jeunes, ni à sa pertinence face à l’insertion dans l’emploi, ni à l’articulation avec les avantages fiscaux. On ne fera pas l’économie de réponses cohérentes à ces questions.” (Guibert and Leparmentier, 2009).

the report does recognize a segment of youth face “adult issues” (Haut commissaire à la jeunesse, 2009, 65).⁷⁰ Given this, most of the commission wanted to consider options to apply the RSA or a similar system to active employees. The report provides two alternatives to respond to these issues. The first is a benefit per hour worked for both part-time and full-time workers. The second provides youth who fulfill work requirements with RSA access.

Although this points to policy learning, the decision to adopt the RSA *jeune actif* was not the outcome of policy evaluation or experimentation. Instead, Hirsch stated the president was presented with the commission’s proposition, which he accepted (République française, 2009a).⁷¹ The reasons for choosing the RSA alternative instead of the benefit per work worked are unclear. The president held bilateral meetings with social partners in early July as the final youth report was published and included youth unemployment on the agenda (République française, 2009k). Financial considerations may be a factor as the RSA *jeune actif* was the less expensive alternative.

7.5.6. *Interests and coalition formation*

Once the government decided to extend the RSA to youth, it framed the issue as one of equality and social justice. When announcing the RSA *jeune actif*, the president stated it was not a hand-out and would create financial autonomy (République française, 2009j). The president additionally made the activation logic clear by referring to the rights and responsibilities by explaining the state had a duty to provide an option; however, only those who fully participate would receive aid (Sarkozy, 2009a). Other UMP members echoed this position.⁷²

Despite obvious respect for Martin Hirsch, interviewees were unimpressed by the low number of policies resulting from the youth commission and the lack of structural reform (Interview CESE, 2016; Interview ETUC, 2016; Interview UNEF, 2016; Interview FAGE, 2016). Hirsch’s best efforts notwithstanding, interviewees criticized the commission report for the same reasons (Interview CESE, 2016, 85; Interview CESE, 2016, 85; Interview ETUC, 2016). An interviewee stated criticism of the commission was initially muted due to

⁷⁰ “[P]rendre acte du fait qu’une fraction de la population âgée de moins de 25 ans, n’appartient plus à la catégorie ‘jeunesse’ et est confrontée à des difficultés d’adultes” (Haut commissaire à la jeunesse, 2009, 65).

⁷¹ “Nous avons travaillé, au sein d’une commission, avec des parlementaires de droite et de gauche, avec les partenaires sociaux, avec les organisations de jeunes, ce qui nous a permis de faire une proposition au Président de la République - qui l’a acceptée -, puis au Parlement, consistant à remplacer cette limite d’âge par une condition d’activité préalable” (République française, 2009a).

⁷² For example, an UMP finance committee member said: “À mon sens, il s’agit d’une mesure de justice et non d’assistantat. En effet, si la limite des vingt-cinq ans se justifiait pour le RMI car celui-ci constituait un revenu minimum d’existence avec un volet insertion, elle ne se justifie pas pour le RSA, lequel constitue une incitation au travail. J’y reviendrai au moment de la discussion de l’amendement que le Gouvernement a déposé en ce sens.” (République française, 2009a).

multiple ongoing experiments, which gave the impression of action (Interview ETUC, 2016, 69). However, that changed with time. A 2009 Social Commission report also notes the commission's working method gained broad approval, but the resulting initiatives were well below expectations (Sirugue, 2009). In this way, although the commission brought together many actors and policy recommendations were published, the report is not considered to be a significant change in France's youth policy.

One reason for this is that the policies adopted during the period respond to the immediate policy problem without reforming the system. Experts, therefore, criticized the lack of recommendations for structural change (Interview CESE, 2016). In this way, the report continues the existing *mille-feuille* of policies. This interpretation aligns with what an interviewee with knowledge of the situation expressed. According to her, governments add measures and benefits cyclically, but there is rarely systematic reform or an effort to make initiatives function together (Interview INJEP 2006, 46).

Institutional factors help explain the lack of structural reforms. This is because such reforms are politically costly due to how they may change redistribution and affect entrenched interests (Interview INJEP, 2016, 46). Student union members also criticized the UMP government for continuing to treat youth in a piecemeal manner under the prism of familial and paternalistic policies (Interview UNEF, 2016; Interview FAGE, 2016). For example, although *RSA jeune actif* is a new policy, it does not confer true social citizenship because benefits are linked to labour market participation (Interview FAGE, 2016). Student union members were also generally critical of the Sarkozy government for an overemphasis on at-risk youth, rather than a global plan for all youth or an ambitious future (Interview UNEF, 2016). Another explanation for the lack of structural change is administrative. Although interdisciplinary, the High Commission had to cooperate with other ministries to implement policies. This required complex arbitration between different ministries, which have their own policy agendas and power dynamics (Interview CFDT II, 2016, 137). An interviewee who participated in youth policy at the time stated the Ministry of Finance was one of the most challenging ministries to work with (Interview CFDT II, 2016, 137).

Specific to the *RSA jeune actif*, multiple actors argued the policy is insufficient. For example, the CFDT remained critical because the conditions to access the benefits were too strict (CFDT, 2010, 53-54). In fact, the union went as far as to contest the policy at the supreme court⁷³ with *Génération précaire* (Légisfrance (2011); Interview ETUC, 2016, 68).

⁷³ Conseil d'État.

Although they lost, these actors argued a law altering benefits according to an arbitrary age group runs counter to the principle of equality.

In parliament, the RSA *jeune actif* (which was introduced by amendment to the 2010 budget) continued to divide representatives (Sénat français, 2009; République française, 2009a). Reports from the Social Affairs and Employment Commission⁷⁴ are indicative of this. In their 2010 budget reports, the commission specifically analyzed the theme of youth employment. Rapporteurs from different political parties had contrasting views on the measures for youth including the RSA *jeune actif*. For instance, Socialist Party member, Christophe Sirugue, was critical of the overall logic of the PUEJ and the AJ. In his report on social solidarity, he wrote they were insufficient and inappropriate for the most vulnerable youth (Sirugue, 2009).⁷⁵ UMP rapporteur, Bernard Perrut, was far less critical and lauded the government's measures in his report on employment (Perrut, 2009). These differences extended to the entire commission, which was unable to reach a common position on the RSA *jeune actif* (République française, 2009a). Parliamentary debates during the budget were also very critical of the lack of funding and the strict criteria for the policy (République française, 2009a). The UMP and Hirsch defended the RSA *jeune actif* despite criticisms because other youth measures existed to accommodate different needs (République française, 2009a).

Although employer associations are aware of youth issues, they do not believe providing youth with minimum benefits is an appropriate policy solution. An interviewee from an employer association who works on youth issues explained the problem lies with the fact youth have not contributed to the funds that allocate benefits (Interview MEDEF, 2016, 173). According to employers, providing youth access would create social cohesion problems because families should educate their children and help them with the transition to employment (Interview MEDEF, 2016, 173). Furthermore, their organization defines youth unemployment as two problems related to qualifications and skills (Interview MEDEF, 2016, 161). This definition leads them to advocate for apprenticeships and study-work contracts policy solutions.⁷⁶

Even though social partners did not necessarily agree on policy solutions, they did have an interest in reducing youth unemployment. Unsatisfied with the government's policies

⁷⁴ *Commission des affaires sociales, pour l'emploi.*

⁷⁵ The rapporteur was also critical of the lack of funding for family policy, stating "Une politique de jeunesse ne peut réussir qu'en adéquation avec une politique familiale. Le projet de loi de finances 2010 ne prend pas acte de cette synergie nécessaire" (Sirugue, 2009).

⁷⁶ The interviewee also explained that different solutions should be applied to different youth subgroups. Meaning precise policies are necessary rather than mass youth policies (Interview MEDEF, 2016, 164).

and deciding they held a responsibility, social partners negotiated an interdisciplinary agreement on youth in 2011 (Interview ETUC, 2016, 65; Interview CFDT I, 2016, 99; Interview MEDEF 2016). According to interviewees with knowledge of the process, the CFDT, FO and MEDEF were essential actors (Interview CFDT I, 2016, 107; Interview MEDEF, 2016, 168) and CFDT played a significant role in starting these negotiations (Interview ETUC, 2016, 63; Interview MEDEF, 2016, 169). The severity of the crisis on youth in France and a critique towards the government for taking insufficient action explains this alliance (Interview CFDT I, 2016, 107).⁷⁷ One interviewee states the cyclical effects of the crisis motivated employer associations. They were ready to act because they and the businesses they represent felt the effects of the crisis on youth *insertion* and the need for talent in their companies (Interview CFDT II, 2016, 146). Another interviewee working for an employer association explained the financial crisis exacerbated existing issues and made competition for the scarce jobs more acute (Interview MEDEF, 2016, 166-167).

7.5.7. *Financial constraints*

Findings throughout the period support H_{3.1}. Both the cyclical and structural policies are examples of recalibration. That is to say, these policies are adaptations of existing policies to new needs. This is particularly evident with the RSA *jeune actif*, which does not create a new policy, but adapts existing policy to a new target group. Evidence also shows cost-containment was a significant factor and reducing the deficit was a priority for the UMP government.⁷⁸ However, this objective was difficult to attain. France exceeded limits set by the Stability and Growth Pact before the financial crisis affected France. Moreover, the UMP's policies to reduce taxes had a negative effect on the overall debt (Clift, 2012, 306). Once the crisis and recession began to affect France, policies to stimulate growth were adopted and deficit reduction was no longer a priority. This changed in 2011 when progressively reducing the deficit became a priority again and the government adopted austerity budgets in 2010 and 2011 (Clift, 2012, 307).

Findings show policy cost was an important factor. For example, the cost of adopting the RSA for the general population was debated numerous times before the financial crisis (République française, 2008a). A 2008 amendment to extend the RSA to youth fulfilling work requirements was also rejected. One of the stated motives was the cost of extending the policy to 18 to 25-year-olds (Daubresse, 2008). The RSA *jeune actif* was eventually

⁷⁷ The CGT did not sign the accord because they did not think it went far enough (CGT (2011); Interview MEDEF, 2016, 169).

⁷⁸ For example, the UMP government implemented *Révision Générale des Politiques Publiques* to review state and social security expenditures (République française, 2007b).

adopted in the 2010 budget. The president announced €250 million would be set aside for the policy in 2010 (République française, 2009j). However, the 2010 Budget does not provide specific credits for the RSA *jeune actif*. Instead, it uses existing funding. Furthermore, of the two options presented in the Youth Commission's final report, extending the RSA was the far less expensive alternative. The first option of providing an allocation to youth per hour worked was estimated to be €1 billion, whereas extending the RSA varied between €200 and 500 million depending on the work requirements (Haut commissaire à la jeunesse, 2009, 65-66).

Finally, there are multiple instances in which funding for the youth policies announced by the UMP government overlap. For example, the FISO includes funding from an existing Youth Experimentation Fund (FEJ).⁷⁹ European Social funding is used in the FISO.⁸⁰

7.5.8. Conclusion

Process-tracing demonstrates the UMP government did not initially intend on investing in youth employment or modifying existing policies. Interest-based and institutional factors are critical to understanding why investments and policy changes were eventually made. The financial crisis made social issues more salient and interest groups formed coalitions to advocate for policies that also included youth issues. This process was facilitated by France's institutional configuration which typically leads to high power concentration and high government accountability. Evidence also demonstrates learning influenced the policymaking process, but this factor was less consequential to policy outcomes.

Unions played a significant role in the policymaking process during the sub-period. They created coalitions and used protest tactics to make issues more visible and advocate for their preferences. The institutional configuration in this case partially explains the impact these actions had on the majority government. Due to the government's power concentration, it was held responsible for high youth unemployment and youth poverty. In this context, the government reacted by meeting with social partners and announcing multiple investments in youth employment policy.

Although unions managed to induce the government to invest in the social aspects of the crisis, they were unable to change the overall orientation of youth policy. Evidence demonstrates this is because institutional factors continued to play a significant role in the

⁷⁹ The *Fonds d'expérimentation jeunes* was created in an amendment by the UMP in the 2008 law creating the RSA and is partially a recycling of budget credits for the *Fonds d'expérimentation sociale* (FIES) when the RSA was adopted (Sénat français, 2008). Initially, the fund was to be €10 million.

⁸⁰ €150 million from the *Fonds d'expérimentation jeunes* and €80 million from the ESF. In all, the government promises €1,5 billion from the state.

policymaking process. Power concentration allowed the government to adopt its preferences with little interference. That is to say, it reacted to the issue but, as a dominant actor, it did so in ways that coincided with its interests. This allowed the government to invest in policies such as apprenticeships and study-work contracts. In this sense, the cyclical measures adopted during the period do not represent a change in the logic of action.

In addition to institutional and power resource factors, the youth commission provides evidence that policymaking can include ideational elements. For instance, there was an openness to policy learning and the opportunity to do so for the RSA *jeune actif*. Despite this, it resulted in only a minor change in the logic of action. The policymaking process was ultimately not the result of policy learning. Instead, the findings show the decision to expand the RSA to youth is related to years of advocacy and political and financial motives. That is to say, interest-based and institutional factors. What the youth commission policy discussions did change was that policymakers were able to use information from the commission to create an acceptance that specific youth should be given access to “adult” policies if they fulfill strict criteria. Once again, this maintains the government’s preference for advocating for the value of work and using it as a condition for benefit reciprocity.

7.6 *Parti socialiste* Government

Upon gaining office, the PS rapidly put in place campaign promises for youth employment. The government also adopted policies affecting youth during labour reform in 2016. Despite the change in government, policies adopted during this period represent a similar mix to the preceding administration. Incentives include subsidized employment, employment services, financial incentives, and increased labour search incentives. These policies are classified in Table 7.5.

7.6.1. *Electoral promises*

François Hollande made youth a policy priority by rapidly adopting *Emplois d’avenir*, *Contrats de génération* and *Prime d’activité*. To better coordinate youth policy, the PS government also used the *Comité interministériel de la jeunesse* (CIJ) as a framework (République française, 2015, 2013a, 77).

Emplois d’avenir (EA) was an election promise adopted in 2012 (Hollande, 2012a; Légis-france, 2012, 24). The policy mainly uses local missions to create three year programs to target 16 to 25-year-old low-skilled workers having difficulty integrating the labour market (Conseil national des missions locales, 2013, 24; DARES, 2014, 2-4).⁸¹ For the most part, the policy provides full-time work contracts. These contracts are primarily subsidized by

⁸¹ The program also has provisions for skilled workers living in high-risk areas and individuals under the age of 30 and living with a handicap (DARES, 2014, 2).

Table 7.5: PS Activation Incentives

	Incentive Mechanism			
Labour Market Lever	Negative Financial Incentives	Positive Financial Incentives	Organizational Human Capital Incentives	Concrete Human Capital Incentives
Demand-Side	I <i>Incentives to encourage employment</i>	III <i>Subsidized employment Emplois d'avenir Contrats de génération</i>	V <i>Administrative Services</i>	VII <i>Company Training</i>
Supply-Side	II <i>Increased labour search incentives Garantie jeunes</i>	IV <i>Fiscal incentives Increased funding for student grants and the civic service Garantie jeunes ARPE Prime d'activité</i>	VI <i>Employment Services Garantie jeunes ARPE</i>	VIII <i>Upskilling</i>

the government⁸² and employers using these contracts are exempt from social contributions (DARES, 2014, 2).

Contrats de génération (CdG) operates under a similar logic. It aims to employ youth by creating incentives for small and medium enterprises (SME) to pair young and senior workers (DARES, 2015). Under these contracts, the SME receives financial assistance for hiring workers under the age of 26 and retaining or hiring a senior worker over the age of 55 (DARES, 2015, 8).⁸³ Both the EA and the CdG are subsidized employment activation incentives. Although they are meant to be five-year programs, funding for the contracts is ambiguous, and the initiative does not seem to have long-term implications (Le Monde, 2012a, 2013)

During his presidential campaign, Hollande also promised to increase funding for *Allocation études* by 25% before the start of the next school year and to alter the family income ceiling, but this measure was never put in place (Hollande, 2012a, 15). Instead, the Socialist government allocated more funding to student grants multiple times.⁸⁴ These grants provided financial incentives for students to remain in education. However, they did not fundamentally alter the familial logic of youth policy. Additionally, the government increased funding for the existing civic service during the period (Les Échos, 2014). These increases were part of an objective of helping 16 to 18-year-old dropouts back into school or activity through increased funding for existing initiatives and facilitating school reintegration (Challenges, 2012; Légisfrance, 2015a).

Although not a campaign pledge, another policy affecting activation incentives is the *Prime*

⁸² In most cases this represents approximately 75% of the SMIC (Le Monde, 2012b).

⁸³ The request for financial assistance must be made *after* the youth has been hired and conditions depend on the size of the enterprise (DARES, 2015, 9).

⁸⁴ In 2013, the first increase in funding for student grants was announced by *secrétaire d'État en charge de l'Enseignement supérieur et de la Recherche*, Geneviève Fioraso (République française, 2013b). In 2014, Benoît Hamon *Ministre de l'Éducation Nationale, de l'Enseignement* and Geneviève Fioraso, *secrétaire d'État en charge de l'Enseignement supérieur et de la Recherche* announced the second grant increase (République française, 2014).

d'activité created in January 2016 (Légisfrance, 2015b; République française, 2016d).⁸⁵ This policy is not a social minimum and does not explicitly target youth. Instead, it is a tax-exempt financial aid for workers over the age of 18 (République française, 2016d).⁸⁶ The policy's goal is to encourage work and is only available for those in the labour market. This policy is, therefore, a fiscal incentive. Finally, in early 2016, President Hollande announced an Emergency Plan Against Unemployment. Although the plan applies to all workers, it includes announcements to adapt apprenticeships to the changing labour market (Gouvernement français, 2016).

7.6.2. *Negotiation concessions*

The PS government adopted a series of policies that provide funding for youth during labour market reform negotiations. The *Loi relative au travail, à la modernisation du dialogue social et à la sécurisation des parcours professionnels*, otherwise known as *loi Travail*, was adopted in July 2016 (Le Monde, 2016a) and represents labour code reform in France. Although the reform addresses labour market liberalization with the goal of increasing flexibility, it also became a source of contention for youth. Negotiations led to concessions in the form of €500 million in funding and 11 initiatives for youth, including expanding the *Garantie jeune* (GJ) to the entire nation and creating the *Aide à la recherche du premier emploi*.

The *Garantie jeune* is a means-tested support contract in which youth between the ages of 18 and 25 who have finished secondary schooling, but are not in employment or training, have the right to *insertion* through local missions in exchange for the requirement to participate in the *insertion* activities. Upon meeting these conditions, the participant receives a stipend (République française, 2016c). The policy contains elements of upskilling and employment services, increased labour search incentives and fiscal incentives.⁸⁷

Other policies adopted during *loi Travail* negotiations include *Aide à la recherche du premier emploi* (ARPE). ARPE is a means-tested benefit targeting youth under the age of 28 in the school-to-work transition by providing financial assistance for a four-month period following the completion of a recognized diploma (République française, 2016a; République française, 2016b). These are categorized as a fiscal incentive. Student grants were also increased as were social minima for apprentices and a one-time grant for 16 to 18-year-old dropouts returning to their studies was created. These policies are all short-

⁸⁵ It replaces the *Prime pour l'emploi* (PPE) and the RSA *activité* was part of the 2015 *Loi relative au dialogue social et à l'emploi*.

⁸⁶ The policy does not cover working students or apprentices (BFM, 2016).

⁸⁷ Although future governments could reduce funding for this policy, I have classified it as a long-term policy as the law states it is a right for youth who qualify (Légisfrance, 2016).

term investments creating fiscal incentives (Le Monde, 2016c). Additionally, negotiations included a promise to tax employers for creating atypical work contracts, CDD, which would have represented an incentive to encourage employment. However, the policy was never implemented (Le Monde, 2016e).

7.7 Theory Testing and Narrative

In this section, I analyze the policymaking process for *Emplois d'avenir* (EA), *Contrats de génération* (CdG) and *Garantie jeunesse* (GJ). These policies are chosen because they represent the PS government's initial policy promises as well as concessions during labour market reform negotiations. The GJ introduces a new logic of action by providing financial benefits directly to qualifying NEET.

7.7.1. Issue salience and campaign promises

Youth continued to be salient during this period. Economic and social issues were the focus of the 2012 presidential campaign with elector's primary concerns being the financial crisis and unemployment (Reynié, 2013, 190, 193). As a presidential candidate, François Hollande spoke of youth issues, and his manifesto included specific promises to youth (2012a). Nicolas Sarkozy, Hollande's main competitor, also discussed youth. However, Sarkozy maintained his rhetoric against hand-outs and for work-oriented solutions (Sarkozy, 2012b, 26).⁸⁸ Hollande, on the other hand, defined youth as a group with a variety of interconnected issues affecting their wellbeing. He stated he should be evaluated on his ability to ensure youth are better off in 2017 than they were in 2012 (2012b).

As with the previous period, policy dissatisfaction existed. Research indicates politicians were not the only actors to advocate for youth policies during this period. Dissatisfied social partners, youth groups and various other organizations formed a coalition to make youth a campaign issue. They organized as the *Big Bang de Politiques de jeunesse* with the intention of spurring political parties to create coherent policies for youth employment (Interview DIJ, 2016; CFDT, 2012).⁸⁹ Their objective was to break with the past 35 years of youth employment policymaking to create policies to provide the right to education and training over the life course.⁹⁰ These actors met with candidate Hollande to discuss youth issues (CFDT, 2012).

⁸⁸ Sarkozy' also included a campaign promise to create a youth bank to fund studies and business projects, but his presidential campaign focused less on youth (Sarkozy, 2012a).

⁸⁹ Sixty-five social partners, youth groups, and various organizations signed the founding document.

⁹⁰ The *Big Bang de Politiques de jeunesse* used policy ideas partly inspired by existing policies in Northern Europe that invest in future (Big Bang Jeunesse, 2012, 2).

7.7.2. *Continuity and change in problem definition and policy preferences*

Plan priorité jeunesse provides an understanding of the PS's definition of youth during the period. The Socialist government used the existing framework of the *Comité inter-ministériel de la jeunesse* (CIJ), as a means for coordinating youth policy (République française, 2015, 2013a).⁹¹ In its first annual report, the committee defines the issue of youth transitions (République française, 2013a). As with the UMP government, autonomy is a crucial concept. However, interviewees asserted the PS government's definition was a break with past definitions of youth (Interview UNEF, 2016; Interview INJEP, 2016). Evidence shows there are differences with the previous period. The PS government highlights access to social rights, whereas the UMP government emphasized individual responsibility.⁹²

These differences notwithstanding, an interviewee with knowledge of the policy process stated the idea of using an inter-ministerial body to coordinate youth policy germinated during the UMP government (Interview INJEP, 2016, 42). She explains the novelty introduced by the PS government was to truly implement this and to specifically single out youth's living conditions - that is to say, to focus on social conditions (Interview INJEP, 2016, 52). In addition, there was a greater willingness to consult youth actors, notably through a *Forums français de la jeunesse* during this period (Interview INJEP, 2016, 52).⁹³ Finally, an interviewee explains the PS's strategy was to gather information on youth's needs and expectations to create an action plan (Interview DGEFP, 2016, 120).

Increased coordination may provide evidence of policy learning through a search and evaluation of alternatives. In spite of that, there is counter-evidence the PS government partitioned policies, and their information gathering strategy did not provide the expected results. A key informant explained that despite the openness to discussing with other actors, many of the issues identified during this period were already known (Interview DGEFP, 2016, 125). They also specifically explained multiple youth plans involving similar actors were adopted, but they became dysfunctional due to partitioning (Interview DGEFP, 2016, 125). The *Garantie jeunes* is an exception to this and was described as a very collaborative process between different ministries and levels of government (Interview DGEFP, 2016, 126). President Hollande's two flagship policies *Emplois d'avenir* (EA) and *Contrats de génération* (CdG) were not. I investigate the policymaking process of both in

⁹¹ The CIJ was created in 1982, but has rarely convened (République française, 2013a, 77).

⁹² For instance, the 2009 youth commission defined autonomy as "the intellectual and financial capacity to ensure one's existence and to contribute to society" (Haut commissaire à la jeunesse, 2009, 9). (Author's translation). For example, the PS defines autonomy as consisting of four attributes: stable employment, independent housing, income from "activity" and a stable partner (République française, 2013a, 17).

⁹³ *Forums français de la jeunesse* is inspired by the *Forum européen de la jeunesse*.

the next subsection.

7.7.3. *Policy learning and actor interests for the EA and CdG*

The EA and CdG were campaign promises informed by the PS preferences. They became an integral part of the government's plan to reduce unemployment (Commission des affaires sociales, 2012). Both policies were proposed during the primary process for Socialist presidential candidate in 2011 (L'Obs, 2011; Vignaud, 2011).⁹⁴ Evidence also provides signs of consultation, but little search for policy alternatives or policy evaluation prior to the adoption of either policy. For instance, there is evidence of consultation such as a July 2012 social conference to create a roadmap of policies for the next year during which youth employment was a theme (République française, 2012a). The CdG and EA also had impact assessments before their adoption and implementation (République française, 2012b,c). However, the government had already indicated the form youth policy would take, which is a continuation of PS policies.

The EA and CdG can be classified as direct support to employment (Cour des comptes, 2016, 29) and both provide employment subsidy incentives. These types of policies have a long history in France and were first adopted in 1977 under Valéry Giscard d'Estaing and Raymond Barre's centre-right government in the form of tax exemptions for employers hiring youth (Aeberhardt et al., 2011, 156). Over time, these types of contracts, often called *contrats aidés*, have taken numerous forms. The policy most resembling the EA is *Nouveau services - emploi jeunes*. Created in 1997, during a cohabitation government with Socialist party member Lionel Jospin as prime minister, *emploi jeunes* were employment contracts lasting up to five-years that provided minimum wage and were primarily financed by the state (Aeberhardt et al., 2011; Commissariat général du Plan, 2001, 159). EA is similar in the sense it is a long-term, three-year, contract that provides full-time employment. Martine Aubry, a candidate running against Hollande to represent the PS in the presidential elections, proposed EA during the 2011 primary campaign. She proposed to invest €4 billion in 300 000 contracts in the non-profit sector (Vignaud, 2011). An interviewee also gave credit to the CFDT for influencing EA, stating the policy was inspired by a CFDT's *métiers de demain* proposal, which was itself inspired by *emploi jeunes* (Interview ETUC, 2016, 72).⁹⁵ Once Hollande became the PS's candidate, the policy changed. While main-

⁹⁴ Neither policy was included in the PS's 2010 party convention document. The document does recognize youth employment, especially access to a first stable job, is difficult regardless of qualifications (Parti Socialiste, 2010, 12). Moreover, it includes facilitating youth's access to active life and creating new social rights, including youth's right to autonomy, as policy objectives (Parti Socialiste, 2010, 5, 10).

⁹⁵ However, the CFDT wanted the employment subsidies to be in the private sector and in developing areas such as the green economy as well as the public sector (Interview ETUC, 2016, 73). The interviewee stated European regulation made this difficult and the final policy was in the public and non-profit sector (Interview ETUC, 2016, 73).

taining Aubry's proposal, he reduced the number of contracts to 150 000 and ensured the policy targeted NEET.

The CdG was Hollande's main proposal for youth during the primary process and continued to be his preferred policy solution. It is also possible to find components from previous policies in the CdG including *contrat unique d'insertion - contrat initiative-emploi* (CUI-CIE), which creates private sector contracts with social contributions exonerations for employers who hire individuals far from the labour market. The CdG is different as it targets both youth and seniors and includes training elements.

Parliamentary debates also provide evidence these policies draw lessons from experience. For instance, the conditions for the EA were debated in parliament (République française, 2012d) and organizations highlighted the importance of training leading to qualifications (Prévost, 2012, 79). The efficiency of the EA was also compared to past policies including *emplois jeunes* (République française, 2012d). However, ambiguous policy evaluations provided mixed results. For example, a report from the INSEE available at the time finds that *contrats aidés* in the non-profit sector, another direct support to employment policy, usually contain little training. What is more, evaluations of previous contracts in 1980-1990 show the effects of these measures are on average null or negative (Aeberhardt et al., 2011, 169). A 2006 analysis on *emploi jeunes* employment outcomes does, however, provide positive results (Casaux, 2006).

As other researchers have pointed out, there are differences between the EA and other *contrats aidés* (Farvaque, 2014). For the first time in France, a direct support to employment policy targets according to skills-qualifications and disadvantaged areas (Farvaque, 2014, 8). The EA is also designed to encourage full-time employment for up to three-years (Farvaque, 2014, 9). According to a member of Hollande's staff, there was small-scale policy experimentation with the experimental protocol of the FPSPP (Villemot, 2011), but there is no evidence in either Social Commission reports or parliamentary debates that this justified policy adoption (République française, 2013c; Assemblée nationale, 2012b).

Parliamentary commissions and debates do show that politicians used government reports to justify both policies. For example, a Social Commission report argues the EA is necessary because existing measures such as apprenticeship contracts and CUI-CAE are either too short or don't support youth enough (Commission des affaires sociales, 2012).⁹⁶ The EA was further justified as a means for adapting to the needs of low-skilled youth entering

⁹⁶ It also states the policy is based on 15 to 20 years experience and answers the basic requirements for *insertion* policy (Commission des affaires sociales, 2012).

the labour market (République française, 2012b). Despite this, experts such as economist Pierre Cahuc condemned the policy because macroeconomic analyses have shown publicly subsidized employment are not effective policies (2012).⁹⁷

The CdG followed a different policymaking procedure. It was negotiated with social partners and the Minister of Employment, Michel Sapin, requested social partners participate in policy implementation (Interview ETUC, 2016, 71; Assemblée nationale, 2012d). The government provided an orientation document, and social partners negotiated a national inter-professional agreement. While there were various elements to agree upon, social partners reached an accord in the allotted time and without any severe conflicts (Presse, 2012). The agreement was unanimous after four rounds of negotiation (MEDEF, 2012). Although there was little disagreement, there was also little enthusiasm for the policy. For example, a key informant at the CFDT explained they participated and appreciated the overall idea behind the policy, but they were not invested in the policy and foresaw implementation issues (Interview ETUC, 2016, 72).

Although other actors influenced policy debate and President Hollande advocated for a social democratic type of governance, the PS government was able to effectively control the policy agenda for youth issues during the first year of its mandate. Upon entering government, it convened parliament for emergency sessions to adopt its legislative agenda. In fact, both policies were adopted using an expedited procedure in which each chamber of government reads the text once. The limited parliamentary debates for both policies were generally consensual with most politicians agreeing on the importance of the issue and debating the subtler points of the policy as well as its coherence with existing initiatives (Commission des affaires sociales, 2012; République française, 2013c). Ultimately all groups in parliament except the UMP supported the EA (République française, 2012d). The majority of the UDI and UMP voted against the CdG (République française, 2013c). As the PS held a majority in both chambers at the time, they quickly adopted both policies.

Neither the EA nor the CdG provide evidence to support H_{2.2} that party alignment affects activation incentive preferences. The left-wing parties government did not exclusively support concrete human capital incentives. Instead, evidence shows focus was on public and non-profit sector employment such as in the EA (Commission des affaires sociales, 2012). Training is part of the EA and CdG, but it is not the policy's priority.

⁹⁷ In 2013, Cahuc and associated also proposed EA funding be reoriented toward apprenticeships and E2C (Cahuc et al., 2013).

7.7.4. *Social conflict, coalition formation for the Garantie jeunes*

The *Garantie jeunes* (GJ) was adopted ahead of schedule as a concession during labour law reform, *loi Travail*. While protests created a window of opportunity for actors to negotiate youth concessions, evidence shows policy learning and experimentation were also significant factors in the policymaking process for the GJ.

When the government initially presented the reform, there was significant political debate and widespread protests. Labour market liberalization is a widely contested issue in France, and numerous actors denounced the proposed reform when the first version of the text was released in February 2016.⁹⁸ However, policymakers did not expect calls to action by youth and youth organizations. Reacting to critiques, the Minister of Labour, Myriam El Khomri stated it was “absurd for youth to fear the law”⁹⁹ because the government intended to make it easier for them to enter the labour market (Battaglia et al., 2016). Nevertheless, student unions were quick to denounce the reform (Pech, 2016), and many of them participated in national protests (UNEF, 2016; Battaglia et al., 2016). Among the youth actors that denounced the *loi Travail*, the *Fédération des associations générales étudiantes* (FAGE), and the *Union nationale des étudiants de France* (UNEF) formed coalitions with trade unions and played a vocal role in the negotiation process.

The FAGE is an apolitical student association, and the UNEF is a political student union. Although these actors are frequently adversarial and do not necessarily share preferences, leaders from both explained their organizations’ interests extend beyond “student issues” (Interview UNEF, 2016; Interview, FAGE 2016). Informants within these organizations state militancy for youth issues are related to protests against the 2006 *Contrats de première emploi* (CPE) (Interview UNEF, 2016; Interview, FAGE 2016). One interviewee went as far as to argue this experience was a catalyst for students, especially FAGE, to organize and express political preferences (Interview, FAGE 2016). The CPE, adopted under a UMP government, had the objective of liberalizing the labour market by creating two-year contracts applicable for youth under the age of 26 with an indefinite probation period (Le Monde, 2016d). However, workers hired under these contracts would have little job security. Consequently, student and trade unions protested. This discontent eventually led the government to withdraw the law after its adoption (Le Monde, 2016d).

Even though the crisis increased the salience of youth issues, association members ex-

⁹⁸ The debate over labour market flexibility in France is beyond the scope of this dissertation and process-tracing focuses more narrowly on the role actors played in adopting the GJ.

⁹⁹ Author’s translation. Original: “C’est absurde que les jeunes aient peur de cette loi. Ce sont eux les victimes de cette hyper-précarité, de ces CDD, de ces stages [...] Cette loi est faite pour que les jeunes [...] puissent rentrer plus facilement sur le marché du travail en étant en CDI” (Figaro Étudiant, 2016).

plained structural issues were a driving factor behind the 2016 protests. For example, one interviewee stated a loss of purchasing power coupled with a lack of access to social benefits has led to what she called the “pauperization of the middle class” (Interview UNEF, 2016). Another interviewee described an overall sense of vulnerability among youth exacerbated by the crisis which made students more aware of how issues affect their day-to-day lives (Interview FAGE 2016). Although student associations were generally favourable the PS agenda, they did not necessarily agree with the government’s youth policies. For example, UNEF and the PS have deep links and common allies. Despite these relationships and the PS’s broader definition of youth issues, a UNEF member stated they disagreed with most of the government’s policy proposals including *Emplois d’avenir* and *Contrats de génération* (Interview UNEF, 2016). They explained this disagreement as the PS lacking ambition and, more importantly, having the wrong policy objectives. While apolitical, FAGE was also generally dissatisfied with the government’s policies during this period (Interview FAGE, 2016). These disagreements came to a head during *loi Travail* negotiations.

Multiple actors were dissatisfied with the *loi Travail*, including trade unions. Be that as it may, trade unions and student unions and associations did not necessarily share common interests. As one trade unionist explained, their main focus was not youth issues, but how the reform affected all workers (Interview CFDT I, 2016, 110). Furthermore, these differences did not manifest themselves as a cleavage between labour and students. Instead, actors formed two broad coalitions and adopted different negotiation tactics with the government. One coalition of actors, including CFDT and FAGE, never demanded the law be fully withdrawn and instead advocated for modifications.¹⁰⁰ To impose their interests, they joined forces and coordinated reform efforts (Interview CFDT I, 2016; Interview FAGE, 2016). A second coalition of actors including *Confédération générale du travail* (CGT), FO and UNEF were adamantly against the reform regardless of concessions and demanded its complete withdrawal (Interview UNEF, 2016; FO, 2016, UNEF, 2016).¹⁰¹ These actors also pooled their resources and coordinated protests and demands.

Coalition dynamics can be partially explained by strained relations between social partners, which led to a breakdown in cooperation. Interviewees explained tensions were not related to youth issues. Instead, they described a hostile working relationship resulting from different negotiation styles and preferences as well as political interference in social partner agreements (Interview CFDT II, 2016, 153-155; Interview MEDEF, 2016; Inter-

¹⁰⁰ This coalition included CFDT, CFTC, UNSA, CGC and FAGE.

¹⁰¹ This coalition included CGT, FO, UNEF, Fidl, UNT and FSU.

view ETUC, 2016).¹⁰²

While trade unions advocated for youth policies, they were not a priority for employer associations who advocated for labour market flexibility and reducing the cost of labour (Tonnelier, 2016). When asked their opinion of the GJ, an informant expressed concern over the efficiency and cost of the policy (Interview MEDEF, 2016, 176). The interviewee was also critical of the context under which it was adopted stating youth issues are usually political (Interview MEDEF, 2016, 177). During a Social Affairs Commission meeting, another MEDEF spokesperson expressed concern further policy evaluation was necessary to ensure the GJ leads to employment (Assemblée nationale, 2016b).

Despite these tensions and political priorities, evidence shows multiple actors advocated for the GJ. An interviewee explained documents by the *Conseil Économique, Social et Environnemental* (CESE) were used during *loi Travail* negotiations (Interview INJEP, 2016, 53). The CESE advocated for a guarantee to access training that included a financial benefit in 2012 (Dulin, 2012, 29-30) and continued to promote this in a 2015 report that included recommendations and advocated experimentation be prolonged (Dulin, 2015, 27).¹⁰³ *Alerte*, a collective that includes numerous interest groups as members (Alerte, 2018), also supported the GJ and advocated for more resources (Alerte, 2013).

A key informant stated the CFDT and ETUC were additional influences. Evidence confirms the CFDT worked closely with the ETUC on the youth guarantee and pushed for this policy to be adopted (Interview CFDT II, 2016, 151-152; Berger, 2016). Internal documents also show the CFDT had clear positions on the guarantee. The CFDT sent representatives to hearings for the 2013 GJ working group. The CFDT secretary general, Laurent Berger, notably made a case for a youth guarantee during a 2014 social conference (Interview ETUC, 2016, 62). The trade union also set targets for the policy in 2015 and 2017 and the secretary general made the policy a priority (Interview CFDT I, 2016, 112).¹⁰⁴ An informant at the CFDT explained the union's focus on youth issues in 2016 was to determine how the CIJ could best resolve youth issues and to advocate for the full implementation of the GJ (Interview CFDT II, 2016, 152). Although the CFDT advocated for a universal youth guarantee, the initial guarantee only targeted NEET (Interview CFDT I, 2016,

¹⁰² One interviewee stated they were no longer willing to compromise to reach their goal (Interview MEDEF, 2016, 171). Furthermore, employer associations were frustrated by attempts in parliament to modify social partner agreements (Interview MEDEF, 2016, 171). This issue made actors unwilling to compromise.

¹⁰³ The CESE works with and represents six youth organizations, including FAGE and UNEF and did take credit for the GJ (CESE, 2016).

¹⁰⁴ The CFDT showed continual interest in the policy and wanted to influence it. For example, in 2015 the CFDT sent out questionnaires to those implementing the GJ and wrote a white paper on the subject to highlight implementation issues (CFDT, 2016).

113).¹⁰⁵ The CFDT and FAGE then cooperated during the *loi Travail* negotiations to promote youth issues (Interview ETUC, 2016, 62; Interview FAGE, 2016; Interview CFDT I, 2016).¹⁰⁶ The CFDT explains its interest in the GJ as related to the notion of a universal income (CFDT, 2016, 2). Despite this, the GJ was not the main concession the CFDT wanted to obtain during negotiations. For example, the *Contrat personnel d'activité* was termed the “crown jewel”¹⁰⁷ of the negotiations by a CFDT employee (Interview CFDT II, 2016, 157).

7.7.5. Youth concessions

Findings indicate student associations met and strategized on how to promote their preferred policy solutions. However, neither the FAGE nor the UNEF was a key actor advocating the GJ. As outlined in the next subsection, the GJ was influenced by policy learning predating the *loi Travail*.

Evidence shows the FAGE used the window of opportunity created by media attention to promote preferences. Rather than participate in the planned strikes, the FAGE maintained the right to strike if negotiations were unfruitful and repurposed existing policy proposals for *loi Travail* negotiations (Interview FAGE, 2016; FAGE 2016a). The FAGE, therefore, made a conscious tactical decision to alter their political calendar to take advantage of media and public interest. To accomplish this, they allied themselves with the CFDT (Interview FAGE, 2016; Interview CFDT I, 2016). As part of this coalition, they supported the GJ by demanding universality and additional funding (Interview FAGE, 2016, 17, 22).

The UNEF, on the other hand, adopted maximum pressure tactics and demanded the government withdraw the law outright. For instance, they participated in protests with trade unions on March 9th.¹⁰⁸ Furthermore, the UNEF as well as multiple trade unions and student organizations, continued pressure tactics despite concessions (Floc’h, 2016). The GJ was not, however, a critical part of their demands.

Unions and student organizations voiced their concerns and gained concessions during these negotiations. Evidence also shows these actors supported for the GJ (Ludovic and

¹⁰⁵ When both organizations realized they would not get a universal *Garantie jeunes*, they make the ARPE a key demand (Interview CFDT I, 2016, 113). The ARPE, therefore, seems to have been given as a concession to the FAGE and CFDT because it provides students with a financial benefit. It was achieved through the FAGE, but CFDT was working through them for youth issues at the time (Interview CFDT I, 2016, 113).

¹⁰⁶ For example, the CFDT invited the FAGE to an inter-union meeting during the *loi Travail* negotiations.

¹⁰⁷ Author’s translation.

¹⁰⁸ Groups that called for the manifestation include: UNEF, Solidaires Étudiant-e-s, UNL, SGL, FIDL, DIDF-Jeunes, Génération précaire, OLF, AL, Ensemble jeunes, Mouvement des jeunes communistes de France, Jeunes écologistes, JOC, Jeunes socialistes, MRJC, ND-Campus, NPA jeunes, PG, UEC, CGT Jeunes (UNEF, 2016, 5).

Hue, 2016), but it was not a key demand during negotiations. For example, neither the FAGE nor the CFDT included the GJ in their list of demands in press releases after an inter-union meeting they attended at the beginning of March (CFDT, 2015; FAGE, 2016b).¹⁰⁹ One explanation for this is that the policy was supposed to be part of a law tabled for April of that year and was still being experimented on (Assemblée nationale, 2016c). An interviewee confirmed the *Garantie jeunes* for NEET had already been presented to be fully adopted in late 2017 regardless of the negotiations in 2016 (Interview CFDT I, 2016, 114). Protests, therefore, created a climate for bargaining, but evidence shows influences predating the *loi Travail* negotiations were significant factors.

In the wake of public outcry, President Hollande reaffirmed youth remained a priority for his government and that he would allocate resources to youth (Hartmann, 2016). Furthermore, youth organizations – who had not initially been included in negotiations¹¹⁰ – were formally invited to meet the government (UNEF, 2016). On March 14th, Prime Minister Manuel Valls unveiled modifications to the proposed law after 15 days of revisions including meetings with interest groups and social partners (Premier ministre, 2016). Valls also announced the government would create a universal right to the *Garantie jeunes*. In his speech, the Prime Minister credited social partners, youth organizations and *Alerte* with promoting the GJ. The document outlining modifications to the *loi Travail* is more ambiguous, stating the GJ will be extended, but not to whom (République française, 2016e).¹¹¹

7.7.6. *Experimentation and policy learning*

Process-tracing indicates the *Garantie jeune* is the product of multiple influences and ideas began germinating in France in 2012. These include the European Union, French actors and national policy experimentation.

Evidence shows EU recommendations and funding facilitated GJ policy experimentation. One informant opinionated that although the French government rarely recognized it, the EU has influenced youth policy since at least 2005 through employment policy guidelines and the open method of coordination (Interview INJEP, 2016, 48-49). The interviewee argued these ideas have “irrigated” the policy subsystem (Interview INJEP, 2016, 48). As explained in Chapter 1, the EU began promoting youth guarantees as a specific policy in 2010.¹¹² Following recommendations from a 2012 conference on poverty and social exclu-

¹⁰⁹ Instead, both organizations promoted the *Compte personnel d'activité*.

¹¹⁰ Due to union demands, the first reading of the proposed law was delayed from February 29th to March 24th (Mazuir, 2016).

¹¹¹ Further concessions were granted on April 11th, including funding for additional youth initiatives.

¹¹² An interviewee with knowledge of the process explained the idea to guarantee support was influenced by Finnish and

sion (Barbaroux and de Foucauld, 2012), the French Prime Minister, Jean-Marc Ayrault, included a youth guarantee in a January 2013 plan to fight poverty (Premier ministre, 2013). In February 2013, the European Council created Youth Employment Initiative (YEI) to ensure funding for regions with high youth unemployment (European Council, 2018).

Even though a youth guarantee was already being discussed in France, an interviewee claimed YEI funding was a significant turning point (Interview ETUC, 2016, 60). They credited heads of state for playing a substantial role with François Hollande and Angela Merkel, among others, pushing for funding during inter-governmental meetings in Berlin and Paris in 2013 and 2014 on the 2014-2020 European budget (Interview ETUC, 2016, 57-58). Although the interviewee makes it clear Chancellor Merkel was driving the initiative, President Holland also played an important role. One reason for this is that multiple regions in France were eligible to benefit from YEI funding through the European Social Fund (ESF) (Fonds social européen, 2014).¹¹³ However, this influence did not lead French policymakers to copy other youth guarantee models.¹¹⁴ When asked about the influence of the ESF funding on the GJ, a key informant explained the EU lacks tools to coerce states to adopt social measures, but funding can be used as an incentive to follow recommendations (Interview CFDT II, 2016, 159). In this instance, it allowed policymakers and interest groups to focus on difficult to reach youth (Interview CFDT II, 2016, 159).

Another interviewee asserted that, despite European influence, the GJ would have been adopted in France regardless of European funding (Interview DGEFP, 2016, 132). While maintaining the GJ is a French policy influenced by the notion of *autonomie* as developed in 2012 and 2013, they explained France also benefited from the Youth Guarantee Plan. The Plan provided an understanding of the policy tools and means necessary for action (Interview DGEFP, 2016, 119). The interviewee did concede that, without ESF funding, fewer youth would have benefitted from the policy and there would have been less policy experimentation (Interview DGEFP, 2016, 133). A French delegate to the EU's Youth in Action Program provided similar explanations. They claimed the recommendation for a youth guarantee offered new financial and policy tools but was intentionally vague and non-binding to accommodate regional and member state differences (INJEP, 2018a). Thus, evidence shows the EU was an influential actor, but actors adapted the final policy to the

Austrian models (Interview ETUC, 2016, 58).

¹¹³ The Youth Employment Initiative is the EU's main financial tool for the Youth Guarantee and applied to regions where youth unemployment was above 25% in 2012. Thirteen regions in France qualified for funding (Fonds social européen, 2014).

¹¹⁴ The final report by a working group on the GJ states the policy adheres to European Commissions' commitments and aims to provide solutions for NEET (Wargon and Gurgand, 2013, 3).

French policy context.

Evidence shows the *Garantie jeunes* was heavily influenced by French actors and policy experimentation. As one informant explained, national policy learning and sharing ideas influenced the policy (Interview CFDT II, 2016). Process-tracing also provides multiple sources of evidence of policy learning and experimentation for the GJ, and findings show years of reports and recommendations influenced the policy.

Once the EU adopted the recommendations of a guarantee (European Council, 2012), other actors promoted it. For example, an informant working with the ETUC stated their organization, in conjunction with other actors such as the European Forum for Youth, made support for the European Youth Guarantee a priority due to the rise in youth unemployment from the financial crisis and the need for a flagship policy (Interview ETUC, 2016, 57-59). French actors then tailored the policy to their needs. To explain, the GJ is deliberately work-first (Interview DGEFP, 2016, 126-127). The policy targets NEET and responsibilities are clear with individual and group support is essential to safeguard the path to employment (Interview DGEFP, 2016, 127). This way of organizing the GJ is influenced by input from local institutions (namely local missions), administrative services and other groups (Interview DGEFP, 2016, 128). Another interviewee argued the GJ is a change in policy because the role of the service provider is altered to provide active mediation to encourage participants to move into employment as soon as possible to discover different jobs (Interview INJEP, 2016, 51-52).

Few policies in France provide financial aid directly to youth. Nonetheless, personal autonomy allowance is an old idea in France (Interview INJEP, 2016, 51)¹¹⁵ and there is evidence of policy experimentation with these types of policies. The GJ is therefore described as a continuation of reinforced support policies (Interview CFDT II, 2016, 151). For example, in 2001 the *Bourse d'accès à l'emploi* was experimented with to provide funds to youth without other sources of income (Aeberhardt et al., 2011, 163). Furthermore, the GJ is part of experiments to support youth into professional experiences while providing financial benefits (Inspecteur Général des Affaires Sociales, 2015, 176). Two of these experiments occurred while the UMP was in government. First, *contrat d'autonomie* was assessed between 2008 and 2012 as part of *Espoirs Banlieues* (Inspecteur Général des Affaires Sociales, 2015, 176).¹¹⁶ Second, the *Revenu contractualisée d'autonomie* (RCA)¹¹⁷

¹¹⁵ The notion of benefit for autonomy also existed within student unions, especially the UNEF. It is also supported by the *fédération d'associations de réinsertion sociale* (now called the *Fédération des acteurs de la solidarité*.) with the objective of helping NEET (Interview INJEP, 2016, 51).

¹¹⁶ The policy was prolonged in 2012, but not continued under the PS government.

¹¹⁷ Part of *Agir pour la jeunesse*.

was tested in 2011 to determine the effects of a guaranteed two-year income on youth's *insertion* (République française, 2009j; Aeberhardt et al., 2011, 164).¹¹⁸ Multiple interviewees described the RCA as an important influence (Interview Direccte, 2016, 193; Interview INJEP, 2016, 50; Interview FAGE, 2016). Ideas to provide youth financial aid continued to circulate in 2012 and 2013. For instance, a 2013 Economic Council report on youth employment for NEET includes multiple proposals including a program similar to the RSA that would provide conditional aid to youth over the age of 18 actively looking for employment or in a relevant training program (Cahuc et al., 2013, 12). However, the GJ distinguishes itself from these policies by targeting NEET and having precise support conditions.¹¹⁹

The government eventually experimented on the GJ as part of a multi-annual plan against poverty adopted in 2013. Experimentation began when the PS government convened the *Conseil national des politiques de lutte contre la pauvreté et l'exclusion sociale* (CNLE) in 2012. The CNLE consisted of various working groups gathering participants to discuss social issues. One of these was a group on Employment, Work and Professional Training, co-presided by Jean-Baptiste de Foucauld who co-wrote a 2002 report on youth issues.¹²⁰

The working group's 2012 report advocates for a change in methods including guaranteeing youth support into training and employment via access to financial benefits (Barbaroux and de Foucauld, 2012, 27). The report does not explicitly outline a youth guarantee, but it does present different options for experimentation and evaluation. An informant familiar with the working group emphasized it was a collaborative process (Interview DGEFP, 2016, 127). The initiative began with the observation that a significant number of youth were living in poverty and there was a need to determine if a policy could resolve the tension between the need for individual responsibility and providing opportunities (Interview DGEFP, 2016, 127). The final CNLE report includes a youth guarantee (Premier ministre, 2013, 30). It sets out guidelines for policy experimentation and evaluation and states the policy will target NEET and be piloted in 10 jurisdictions before expanding to the rest of France. The report also explains a working group will be created to define the contours of the policy and determine which jurisdictions are appropriate for experimentation. The working group included 50 participants that met with and received reports from numer-

¹¹⁸ The RCA was not adopted during the Sarkozy government for various reasons, including debates on its redistributive effects and budgetary concerns (Interview INJEP, 2016, 50).

¹¹⁹ Both the *contrat d'autonomie* and RCA provided a time-specific contract (six-months and two-years respectively) and financial incentives (€300 per month, and €250 per month for the first year, with financial benefits declining the following months) (Inspecteur Général des Affaires Sociales, 2015, 176-177).

¹²⁰ The 2002 report presents alternatives to provide youth between the ages of 18 and 24 benefits (Foucauld, 2002, 85-88).

ous actors. Additionally, past reports are credited with the idea of creating a right to a professional experience (Wargon and Gurgand, 2013, 2). In 2015, policy experimentation for the GJ was extended until 2017 to allow for more comprehensive evaluation (Caisse des dépôts, 2015).

Although there are multiple signs of policy learning, evidence shows political influence affected the policymaking process for the GJ. In this case, the decision to fully implement the policy was affected by political considerations during the adaptation process. This is because the government extended the GJ before policy evaluation was completed¹²¹ The first results of policy experimentation were published in July 2016, four months after the government stated it would become a right NEET between 16 to 25-years-of-age (Ministère du Travail, 2016). Thus, the need to provide concessions led the policy to be adopted before the existing timetable. Even advocates of the GJ were uneasy about this. For example, a CGT spokesperson stated that, although they supported the GJ and fought for it, it would be more appropriate as part of the *loi relatif à l'égalité et à la citoyenneté* as initially intended (Assemblée nationale, 2016c). Furthermore, policy experimentation had revealed issues that need to be corrected before it is generalized (Assemblée nationale, 2016c).

7.7.7. Institutional and financial constraints

Once again, power concentration allowed the government to adopt their preferred policies. The PS controlled both the executive and legislative branches of government, including a majority in both chambers of parliament from 2011 to 2014. The PS government also used procedures to accelerate the parliamentary process and limit debate throughout their time in office. As explained, this applies to both the EA and CdG which were adopted in the context of emergency parliamentary sessions. Although political actors attempted to block these policies through motions to reject the policies and by attempting to refer the policies back to the commission, they could not impose their preferences (République française, 2013c, 2012d). In 2014, the UMP regained a majority in the Senate, which provided actors with opportunities to alter legislation. However, due to the asymmetrical nature of the French parliamentary system, the Senate was unable to veto the *loi Travail*.

Parliamentary debates reveal that regardless of power concentration, the *loi Travail* was challenging to adopt. These differences are explained by how it related to the larger issue of labour market liberalization and the fact PS party members held conflicting preferences on the law. To overcome this, Prime Minister Valls invoked article 49.3 of the constitution three times. This allowed the Council of Ministers to adopt the reform without parliament.

¹²¹ Nevertheless, evaluations did continue after the March announcements and France had an EU peer review on the GJ in April 2016 (Interview DGEFP, 2016, 131).

The law was eventually adopted in the National Assembly despite attempts by PS party members to censure it. The Senate also refused to vote on the second version of the law (Le Monde, 2016b). In fact, the Senate held an acrimonious debate and, among other modifications, voted to remove the GJ (Barbarit, 2016; Sénat français, 2016b). In a Social Affairs Commission document, rapporteurs stated it was “premature” to generalize the GJ and experimentation should continue and be extended as necessary (Sénat français, 2016a).¹²² The GJ was reintroduced in the National Assembly, and the UMP-led Senate maintained its general disagreement with the law by rejecting a second reading (Assemblée nationale, 2016d). Evidence therefore shows that partisan actors used their power to stall the law.

With members of parliament using institutions to affect the policy, evidence shows the government reframed the GJ in parliament to respond to partisan criticism. For example, the Prime Minister initially promised to make the GJ a universal right. Politicians resisted universality, and parliamentary evidence shows the PS deliberately framed the GJ as a targeted policy and emphasized the mutual obligations. For instance, the Social Affairs Commission raised multiple questions on the GJ including which youth qualify and funding issues (Assemblée nationale, 2016a). The Minister of Employment, Myriam El Khormi, clarified the GJ would only be universal for vulnerable NEET (Assemblée nationale, 2016a). She also described the GJ “not as a benefit, but a two-way exchange support measure for willful youth who are motivated to commit to the measure” (Assemblée nationale, 2016a).¹²³

Finally, evidence shows financial constraints were a factor throughout the period. Like the previous government, the PS continued to streamline administration, renamed as *Secrétariat général pour la modernisation de l'action publique*. Reducing the deficit was also major preoccupation, and the EU created additional pressure for this. In July 2012, the government released a report outlining how it intended to reduce the deficit in 2012 and meet EU standards as of 2013 (Assemblée nationale, 2012c). Despite pressure for reduced spending, the government made it clear that it would fund campaign promises (Assemblée nationale, 2012a, 12). Funding the PS's youth policies required spending cuts in other

¹²² “Compte tenu de ces éléments, vos rapporteurs estiment qu'il est prématuré de généraliser la garantie jeunes en l'inscrivant dans la loi. L'expérimentation est aujourd'hui permise jusqu'au 31 décembre 2017, et peut le cas échéant être prolongée par décret. Il n'y a donc aucune urgence à légiférer. Au demeurant, le Gouvernement semble bien conscient de la nécessité de ne pas précipiter les choses, puisque le présent article ne doit entrer en vigueur que le 1er janvier 2017. Il est donc préférable de maintenir les dispositions encadrant la garantie jeunes dans le domaine réglementaire et de poursuivre l'expérimentation avant de la généraliser, le cas échéant, lorsque le recul nécessaire aura été pris. Le Gouvernement pourra d'ici là, par décret, l'étendre progressivement aux départements qui ne sont pas encore couverts.” (Sénat français, 2016a).

¹²³ “La garantie jeunes, ce n'est pas une allocation, mais un dispositif d'accompagnement avec un contrat donnant-donnant en direction des jeunes qui sont volontaires et motivés pour s'engager dans ce dispositif” (Assemblée nationale, 2016a).

areas. Interviewees explained existing strategies for apprenticeships and study-work contracts were halted when the PS entered government and changed focus to the EA and CdG (Interview DGEFP, 2016, 124; Interview MEDEF, 2016, 172). It, therefore, seems these policies were not crowded out. Instead, they crowded out other youth initiatives. Finally, the decision not to extend the GJ to all youth, but to NEET may have been influenced by financial considerations. This is because the targeted policy was far less expensive than creating a universal guarantee.

7.7.8. Conclusion

The findings indicate that, as expected, institutional factors enabled the PS government to impose its policy preferences, the EA and CdG. Institutional and interest-based factors are therefore key to understanding the policymaking process for these policies. There is also evidence these policies were informed by existing policies and internal party debates during the primary process.

Financial constraints remained a significant factor during the PS's time in office and could have crowded out funding for these policies. However, the importance given to the EA and CdG during the presidential campaign, which are interest-based factors, assured these priorities received funding. The government also used parliamentary procedures to its advantage to accelerate the policymaking process. Once again, social partners played a role in the policy process. But they did not use their power resources to block these flagship policies.

Power concentration notwithstanding, the government was unable to impose its preferences during labour reform. Here I find interest groups and social partners successfully formed coalitions to influence the policymaking process. These coalitions provided a window of opportunity for specific actors to increase the visibility of youth issues and pressure the government for reform. Under these circumstances, the government used existing policy initiatives, such as the GJ, as concessions.

Evidence shows the GJ was partially the result of policy learning. In spite of the fact the policy had undergone years of experimentation and evaluation, process-tracing shows the government accelerated its adoption as a result of the labour law protests. Policy learning was therefore not the main factor for the timing of its adoption. Finally, I find the GJ remains a significant policy as it alters the logic of action to allow a segment of youth access to social citizenship through financial benefits.

7.8 Discussion

Evidence shows both UMP and PS governments adopted similar incentive mixes to resolve youth unemployment during the period. That is to say, employment subsidies, increased labour search incentives and fiscal incentives. These governments also emphasized mutual obligations. This especially evident with the RSA *jeune actif* and the *Garantie jeunes*. These commonalities aside, there are significant differences between governments such as how subsidies were targeted and implemented. For example, the UMP government favoured the private sector, whereas the PS government favoured the non-profit sector. Also, the UMP prioritized apprenticeships and study-work contracts, and the PS favoured targeted training using subsidized employment. While maintaining the overall logic of action, both governments also modified it to include positive financial incentives for youth via the RSA *jeune actif* and the *Garantie jeunes*. These policies do not provide benefit access to all youth, but they do alter the orientation of France's resolutely familial youth policy by creating new pathways to social protection.

Despite high government control and preferences against extending social protection, the UMP government allowed specific youth to access the RSA. The historical institutionalist framework is key to understanding this. Due to high power concentration, the government was held accountable for rising youth unemployment. Findings also indicate the decision to react to the social effects of the crisis was influenced by power resource factors. This is because the government only acted once other actors created pressure for action. Precisely, actors used the visibility of social issues and their resources to pressure the government to respond to their demands. As part of its response, the government launched a consultation that included various stakeholders and experts. Evidence of an openness to alternatives aside, the findings do not show any indication of policy learning for the RSA *jeune actif* during the consultation process. Instead, actors advocating for youth social protection were able to present the policy as a palatable choice for the government.

The PS government also extended social protection. But it was to a different target group, NEET. Inasmuch as there are multiple signs of policy learning, they are imperfect. This is because interest and institutional factors are also critical to understanding this policymaking process. In this instance, I find that power resources curtailed policy learning and the configuration of French institutions made this possible. This is because, despite years of policy experimentation and evaluation, the government only adopted the policy after social partners and other interest groups used their power resources to advocate for youth policies. Under these circumstances, the government used an existing policy tabled

for adoption at a later date as a low-cost and highly visible concession to protesting social partners and stakeholders. This series of events meant it did not complete the evaluation of the policy.

7.8.1. Evidence of policy learning

The French case shows policy learning is a factor in policymaking. Nevertheless, power resource and institutional factors were more important overall during the period.

Process-tracing provides mixed evidence of $H_{1,0}$; openness to policy learning and a consideration of alternatives. Both the *Fonds d'expérimentation pour la jeunesse* (FISO) used by High Commission for Youth in *Agir pour la jeunesse* and the *Garantie jeunes* (GJ) provide examples of efforts to identify policy problems, discuss alternatives, evaluate policies and adapt them to the national context. On the contrary, *Plan d'urgence pour la jeunesse* (PUEJ), *Emploi d'avenir* (EA) and *Contrats de génération* (CdG) provide little evidence policymaking was a cognitive process in which alternatives were evaluated. Instead, partisan preferences stemming from previous youth policies were significant factors in policymaking. Another example of counter-evidence that policymaking is a cognitive process is that the GJ was adopted before policy evaluation could conclude and results could be analyzed.

Although there is evidence of policy learning, interviewees also highlighted obstacles to it. One of the main critiques was a need for continuity which is impeded by institutional and partisan factors. Interviewees stated five-year presidential terms limited learning because presidents tend to halt existing policies upon entering office (Interview DGEPPF, 2016; Interview ETUC, 2016; Interview CFDT I, 2016; Interview CFDT II, 2016; Interview MEDEF, 2016). This discontinuity is explained as a desire for credit claiming that exists in both left and right-wing governments. This can lead to breaks in policies by affecting budgets and policy implementation. Thus, France's institutional configuration which leads to presidential terms that do not necessarily correspond with the time it takes for a policy to be adopted and implemented, and actor preferences to distinguish themselves from their predecessors may inhibit policy learning in the French case.

I am unable to assess $H_{1,1}$, that uncertain policymakers are more susceptible to policy learning through epistemic communities, adequately. This is because reports, debates, and interviews provide little evidence of uncertainty for youth policy during the financial crisis. There is, however, evidence of epistemic community influence. This influence is not from the hypothesized channels. For instance, the findings do not support OECD influence. Moreover, even though evidence supports that the EU affected the policymaking

process for the GJ, this was not ideational and primarily through funding. Instead, other actors such as the ETUC promoted the idea that France adopt a youth guarantee. The findings also show national actors played a significant role in informing youth policy during the period. For example, in 2009, the High Commission effectively pooled resources from interest groups, stakeholders and social partners to evaluate youth issues. These actors continued to advocate for the GJ between 2013 and its adoption in 2016. These findings provide evidence of both ideational and coalition influence.

7.8.2. *Evidence of coalition formation*

Coalition formation was a significant factor throughout the period. Evidence supports H_{2,0} that policymaking is a power-based process in which actors attempt to impose their preferences. Findings indicate the most powerful actor, in this case the government, was able to impose its preferences. Nonetheless, other actors also formed coalitions in an effort to influence policymaking.

For example, unions formed coalitions in 2009 and in 2016 with the objective of imposing their preferences. In both cases, pressure from these coalitions led to bilateral meetings and summits to discuss policies. Youth policy advocacy was a long-term commitment for some of these actors and windows of opportunity helped them raise the visibility of youth issues. It also facilitated coalition formation for these actors. Although governments adopted recommendations and preferences from outside actors, policy content ultimately reflected the preferences of the party forming the government. For instance, the FISO funded policies that aligned with UMP rhetoric. The *loi Travail* negotiations also led to concessions, but not a complete overhaul of the law. In this way, actors were effective in raising issues and making demands, but they had limited success imposing their preferences on the dominant actor. This can be explained by union's lower power resources and by their diverging strategies which fragmented resources.

There is little evidence to support H_{2,1}, that the main lines of conflict are determined by skill and social protection. Contrary to expectations, dualization did not create the main lines of conflict.¹²⁴ While it may have been present, I instead find different negotiation strategies between trade unions were a critical dividing issue. Existing tensions between unions partitioned those willing to negotiate and compromise with the government from those unwilling to do so.¹²⁵

There is no evidence to support H_{2,2}, that party alignment affects activation incentive

¹²⁴ Youth may represent an exception to this hypothesis due to their lack of labour market integration and the diversity of needs. Meaning, dualization may be an important factor, but not one fully captured in the policies analyzed.

¹²⁵ Other tensions existed between social partners, but they were not the determining factor for youth policies in this case.

preferences. Although the UMP did adopt negative supply-side financial incentives with the RSA *jeune actif*, its primary emphasis was employment subsidies. The PS did not adopt concrete human capital incentives. Instead, it opted for a mix of employment subsidies, employment services, increased labour search, and fiscal incentives.

7.8.3. Evidence of feedback effects

Institutional factors were important in shaping the policymaking process in this case. First, they enabled governments to adopt policies relatively easily as high power concentration led to few veto points for opposing actors to use. Nevertheless, as explained, actors successfully applied their power resources to influence the policymaking process. Evidence shows neither the UMP nor the PS governments intended on investing in youth employment policies in 2009 and 2016.¹²⁶ One explanation for the impact of partisan preferences despite low veto points is that power concentration also leads to high government accountability. Under these circumstances, the salience of youth employment and an emphasis on government responsibility for the issue may have created pressure for action.

Process-tracing supports H_{3,1}; where change occurs in conservative welfare state regimes, priorities should be towards recalibration through updating and cost-containment. Of the policies analyzed only the GJ is not an adaptation of existing policies. Apprenticeships, study-work contracts, and subsidized employment all existed in France before the financial crisis. The RSA *jeunes actif* is also an existing policy that was modified to include youth. In this way, the UMP government adapted existing initiatives or repurposed them to respond to problem pressures. Finally, as expected debt reduction was a significant factor during the period. The findings show that financial considerations were prominent throughout the period, but governments were able to reorient funding to fit their hierarchy of preferences.

¹²⁶ The GJ was already tabled to be adopted. However, the PS government made other youth employment policy concessions not analyzed.

Chapter 8 | United Kingdom

The following chapter is divided as follows. 1) I begin by providing a synopsis of the UK welfare state. This includes a subsection on activation policies in the UK as well as one explaining youth activation policies. 2) I then contextualize the hypotheses to the case. 3) The heart of the analysis is a timeline of relevant activation policies for youth since the financial crisis. Finally, I 4) discuss the findings and relate them to the three analytical frameworks.

I present and contextualize the policies using the typology developed in Chapter 5. The policy changes are divided into two phases according to the party in power: 2008-2010 for the Labour government under Gordon Brown, and 2010 to 2015 for the Coalition government between the Conservative party and the Liberal-Democrats headed by David Cameron as Prime Minister and Nick Clegg as Deputy Prime Minister. For each period of analysis, I first present the policies and second outline the policymaking process by testing the three analytical frameworks on relevant policies adopted during the period.

By applying the typology to the policies adopted during the timeline, I find that both the Labour and Coalition governments enacted similar incentive mixes. Findings also show that, contrary to expectations, both governments adopted a demand-side incentive logic of action to reduce youth unemployment. I use process-tracing to explain these changes and outline dynamics between the three analytical frameworks.

In this instance, the institutional configuration and partisan interests are essential policymaking factors. The UK's institutional configuration creates high power concentration, allowing governments to adopt their preferences easily. This factor also increases issue visibility. This made governments accountable for rising youth unemployment from the crisis and recession and instigated action. However, these factors do not entirely explain policymaking during the period. There is also evidence of ideational influence from multiple sources. As the chapter explains, this influence is not from the hypothesized actors and did not necessarily lead to policy learning.

8.1 A Neoliberal Welfare State

The United Kingdom represents the liberal welfare regime. This regime is known for having strict benefit conditions and an unregulated labour market. Traditionally, liberal regimes provide benefits to targeted groups who are subjected to means-testing (Van Kersbergen

and Vis, 2013, 64). This leads to low decommodification levels and mid-stratification effects (Esping-Andersen, 1990). Decommodification is low due to market reliance on means-tested assistance as a last recourse. Liberal welfare state regimes are also known to have stratification effects because means-tested benefits often stigmatize recipients. In addition, post-industrial employment in this regime is known to create a dual structure in which both quality and junk jobs coexist (Van Kersbergen and Vis, 2013, 65). Liberal welfare regimes also tend to have low levels of unionization and participation of capital in labour market programs. Although unionization is high in the public sector at 52.7%, only 13.4% of private sector employees were unionized in 2016 (BEIS, 2017). Overall, trade union density was 25.1% in 2014 (OECD, 2017).

The UK is known for its liberal and individualist values.¹ While its welfare system used to include contributions-based programs, they have been removed (Clegg, 2005, 167). The UK is described as a state with a low-wage and low-skilled labour market. The “low-wage equilibrium meant that replacement rates of social assistance benefits, which gradually replaced contributions-based benefits, had to be kept at a minimum to avoid poverty traps and work disincentives” (Daguerre, 2007, 61). Social partners do not play an essential role in the provision of welfare services or their legislation. Trade unions, in particular, have progressively been excluded since the 1980s, whereas employers have been given a more substantial role (Daguerre, 2007, 63).

The UK has a centralized governance structure that is conducive to policy reform. Though not as severe as initially believed (Pierson, 1994), there has been wide-scale retrenchment in unemployment benefits in the UK since the late 1970s (Clasen and Clegg, 2003, 365). More recently, the UK’s liberalization trajectory has been classified as one of “deregulation” (Thelen, 2014, 30). This means the state has individualized risk which may lead to rising inequality. In the next section, I explain one aspect of this, activation policies in the UK.

8.2 Workfare in the UK

Activation has been described as a policy tool to resolve the UK’s natural tension between its unregulated labour market and its means-tested social protection system (Bonoli, 2013, 105). According to observers, this country has emphasized ALMP since the late 1980s under both Conservative and Labour governments (Daguerre, 2007; Clasen, 2013, 22). Active labour market policies in the UK have typically been welfare-to-work type schemes that follow a pro-market orientation with little-to-no investment in human capital (Barbier,

¹ A latecomer to family policies, the UK began creating work-life balance policies in the late 1990s and early 2000s including childcare and education places as well as family tax credits (Bonoli, 2013, 144-145).

2004, 64). Over time, it has created even stricter conditions and sanctions for ALMP to ensure against “welfare dependency” (Clasen, 2013, 28).

From the late 1970s to early 1990s, the UK was run by Conservative governments. During this period, benefit conditionality became stricter and welfare spending was reduced. Although Margaret Thatcher had clear policy positions against welfare dependency, she did not adopt many activation reforms during her time in office (Griggs et al., 2014, 74). In the 1980s, Conservative governments continued their objective of reducing welfare dependency by adopting employer-led schemes that emphasized compulsion (Finn, 1996, 10; Daguerre, 2007, 62). Activation became a requirement for unemployment benefit claimants in the UK under the Major government in 1989 (Strickland, 1996, 8). Negative activation incentives continued with the Jobseeker’s Allowance (JSA), adopted by the Conservatives in 1996. The JSA replaced the unemployment benefit and the income support for unemployment schemes. It also altered the provision of unemployment benefits and reduced benefit duration (Strickland, 1996, 6). Under the JSA, “claimants [were] required to be available for and actively seek work, sign a jobseeker’s agreement, and attend fortnightly interviews; [there was also a] new power to sanction claimants for noncompliance” (Griggs et al., 2014, 77).²

When Labour came to power in 1997 under the New Labour moniker, the party continued to use activation as a policy strategy. Meaning that, although the Labour party popularized activation strategies:

“Many of the building blocks of Labour’s activation policy – collocating job-placement and social assistance provision, explicit conditionality, sanctions, job plans, tailored programs, wage subsidies, and piloting – were therefore already in place when Tony Blair became prime minister”

(Griggs et al., 2014, 75). Even though they did not introduce activation to the UK, New Labour administrations between 1997 and 2010 had an explicit activation orientation. Influenced by academics and policy advisors, these governments used welfare reforms to:

“maximise employment through the combination of supply-side policies, the implementation of ambitious reform of the tax and benefit system (including Incapacity Benefits) to make ‘work pay’, and the establishment of specific

² “It halved the entitlement to non-means- tested unemployment benefit from twelve to six months, and increased the degree of ‘conditionality’ associated with benefit through demonstrating a more active job search” (Powell, 2008, 27).

labour market programs for the young and long-term unemployed”

(Daguerre, 2007, 66). To that end, New Labour governments reformed welfare into what is known as welfare-to-work (Griggs et al., 2014, 76).³ These governments also took the general position that the welfare system was “part of the problem” (Secretary of State for Education and Employment, 2001, 7). These reforms were facilitated by a host of advisors including Anthony Giddens (1998) and Richard Layard (1996).⁴ Essential notions included the value of work, an emphasis on rights and responsibilities, the assumption that ALMP (especially supply-side initiatives) increase employability, as well as the belief that a work-first approach is superior (Daguerre, 2007, 68-69).

Key activation measures during this period are the New Deal policies, which functioned alongside the JSA. The New Deal measures are a series of policies for different target groups.⁵ These policies have different conditions and sanctions, but all aim to create incentives to join the labour market. The UK has also adapted financial incentives. The UK’s first national minimum wage came into effect in 1999. The wage is, however, graduated by age and work status. For instance, the lowest rate is the Apprentice Wage. Individuals under 18 and between the ages of 18 and 21 also earn lower wages called a “development rate”, and the rest of the population earns a “main rate” (HM Government, 2017a; Brewer, 2008, 6). Although rates have changed over time, the progressive nature of the system has not. Additionally, in-work benefits in the form of tax credits have been popular policies to incentivize individuals to join and remain in the labour market (Griggs et al., 2014, 76).⁶ Individuals under the age of 25 without children are not eligible for these tax credits.

Before explaining youth activation in the next subsection, it is necessary to note New Labour also enacted administrative changes. For example, it created the Department for Work and Pensions in 2001 by merging two other departments (Griggs et al., 2014, 84-85).⁷ In 2002, the Employment Service and Benefits Agency were merged to become Jobcentre Plus, which coordinates service provision by integrating the search for employment with the delivery of services and reduces overall costs (Finn, 2003, 710; Brewer, 2008, 3). As researchers explain, services are also provided through private and third sector providers (Griggs et al., 2014, 85).

³ This was funded via a “windfall tax” (Jarvis, 1997, 5).

⁴ Both later became peers for Labour in the House of Lords.

⁵ They include the New Deal for Young People (explained in the following section), the New Deal 25+, the New Deal 50+, the New Deal for the Long-term Unemployed, the New Deal for Lone Parents, the New Deal for the Disabled, and the New Deal for Musicians.

⁶ This includes the Working Families tax credit, the Child Tax Credit and the Working Tax Credit (Brewer, 2008, 7-9).

⁷ The Department of Social Security and the Department for Education and Employment

Modifications to activation policies in the late 1990s and early 2000s, notwithstanding, there have not been substantial increases in ALMP spending (Clasen, 2013, 29). Overall, the UK's activation reforms are categorized as strengthening work conditions for the inactive; increasing financial incentives for employment; and expanding the service provision role of the private and the third sector (Griggs et al., 2014, 74).

8.2.1. Youth activation

Youth issues in the UK are governed by a multi-level structure that has devolved over time. While multiple departments deal with youth issues, the Department of Work and Pensions (DWP) and the Department of Education (DfE) are the bodies that most concern this research. The DWP is the central government body responsible for employment policies with welfare benefit centralized through Jobcentre Plus (Atkinson, 2010, 19). Local actors including public, private, and third sectors have an important role in service delivery in the UK. The DfE is responsible for youth in England up to the age of 19 with national administrations in charge of Scotland, Wales and Northern Ireland (Hadjivassiliou et al., 2015, 13). In addition, the Department for Business, Innovation and Skills (BIS) was responsible for skills for individuals over the age of 19. However, skills competencies were transferred to the DfE in 2016 when it was reformed to become the Department for Business, Energy and Industrial Strategy.

Throughout the years, there have been a series of initiatives for youth activation.

“For young people, the pre-existing Youth Opportunities Programme (YOP) was first expanded (1981), and then replaced with a new Youth Training Scheme (YTS) (1983), alongside the expansion of a Young Workers Scheme (YWS), providing subsidies to employers for hiring 16 and 17 year-olds at sub-minimum (wage council rate) wages.”

(Clegg, 2005, 189). Youth between the ages of 16 and 17 were also removed from cash benefits in 1988 by the Conservative government (Daguerre, 2007, 63). Moreover, according to one author, the 1996 JSA severely cut benefits for young people (Finn, 1996, 10-11).

Following the publication of a white paper on *Education and Training for the 21st Century* the Conservative government adopted a series of work-based learning for youth initiatives. These initiatives include a new “apprenticeship scheme” passed in 1993 to increase training and improve youth poverty levels and changes in vocational qualifications (Richardson, 1998, 226-227).

In 1997, New Labour campaigned on a pledge to reduce youth unemployment.⁸ Consequently, Labour's flagship welfare-to-work policy, the New Deal, specifically targeted youth (Jarvis, 1997; Griggs et al., 2014, 82). Announced in 1997 and put in place in 1998, the Labour government adopted the New Deal for Young People (NDYP) (Brewer, 2008, 3). The policy targets Jobseeker's Allowance (JSA) claimants between the ages of 18 and 24 who have been unemployed for over six-months and makes participation in the scheme mandatory in order to maintain benefits (Jarvis, 1997, 7; Secretary of State for Education and Employment, 1998, 25).⁹

Under the JSA, individuals must prove they are actively seeking work every two-weeks (Freud, 2007, 15). After six months on the JSA, individuals between the ages of 18 and 24 are assigned to the New Deal for Young People. The NDYP is mandatory and during a Gateway Period of up to four-months individuals are assigned a Personal Advisor and provided with public employment services (PES) and counselling to find employment (Jarvis, 1997, 7). After this period these individuals have a "restart interview". Those who have not found employment after this time, are required to participate in one of four activities: subsidized employment, six-month employment as either a volunteer or with the Environmental Taskforce or in full-time education or training (for those without qualifications) (Jarvis, 1997, 8-11; Secretary of State for Education and Employment, 1998, 25). The program also includes support for self-employment. Sanctions, in the form of a loss of benefits, are applied to individuals who do not comply with mutual obligations requirements (Jarvis, 1997, 12).

Programs to target youth continued throughout Labour governments. In 2003, an Entry to Employment (E2E) pilot scheme was launched.

"E2E is an entry to Level 1 programme for those young people not yet ready or able to enter an Apprenticeship or other formal level 2 provisions. It is intended to support young people into positive progression outcomes, specifically Apprenticeships, further vocational learning opportunities at level 2 or sustained employment"

(DG EMPL, 2017b). In 2004, new apprenticeship programs began. These include "Young

⁸ In 1998, New Labour published a green paper, *New Ambitions for our Country: A new contract for Welfare*. The document outlines the government's strategy for reform and explains it specifically targets youth. The government adopted a series of active labour market policies to ensure individuals search for work and to increase the value of work.

⁹ As Gordon Brown, then Chancellor of the Exchequer, explained in 1997, "Starting from next year, every young person aged 18 to 25 who is unemployed for more than six months will be offered a first step on the employment ladder." (Jarvis, 1997, 6).

Apprenticeships for 14-16 years old [sic]; Pre-Apprenticeship (level 1); Apprenticeships (level 2); Advanced Apprenticeships (level 3); Apprenticeships for Adults over 25” (DG EMPL, 2017b).

8.2.2. Reforms before the financial crisis

Before the financial crisis, the UK had already begun planning the next phase of welfare reform.¹⁰ As the DWP outlines, the reform is meant to alter the mutual obligations framework to reinforce activation, offer a personalized approach for benefit claimants, increase partnership with the third and the private sector, target low performing communities, and offer quality employment (DWP, 2007, 10-11). The reform also sets a goal of an 80% employment rate in the UK (DWP, 2007). Among these reforms, the Flexible New Deal (FND) is of importance for youth activation.

Proposed in 2007 and implemented in 2009 and 2010, the Flexible New Deal replaces both the New Deal for Young People and the New Deal 25+ (Morgan, 2009, 3). The stated policy goal is service personalization and “to end repeated returns to long-term unemployment and benefits” (DWP, 2007, 51). The policy continues the trend of outsourcing to third sector and private contractors.¹¹

Youth not in education, training or employment (NEET) were targeted before the crisis. For example, the Department for Children, Schools and Families published a report in 2007 identifying NEET as a significant policy problem leading to an inquiry ending in April 2010 (Department for Children, Schools and Families, 2007).¹² Furthermore, the September and January Guarantees were created to target 16 to 18-year-olds.¹³ These guarantees provide an offer of either full or part-time education; apprenticeships or program-led apprenticeships; Entry to Employment (E2E) or Foundation Learning; or employment with training to the National Vocation Qualification (NVQ) 2 level (Children, Schools and

¹⁰ The Green Papers, “In work, better off: next steps to full employment” and “World Class Skills: Implementing the Leitch Review of Skills in England” were written in 2007 with that goal in mind. There was also a period of consultation and independent reports were commissioned.

¹¹ In 2006, a review of the Welfare to Work program adopted by the New Labour governments since 1997 was commissioned. The author of the report, David Freud, recommends the state focus on those closest to the job market through Jobcentre Plus while private and third sector outsourcing could be used to provide individualized support for the long-term unemployed (Freud, 2007, 1). A later report draws on the U.S., Australian and the Netherlands’ experiences in outsourcing (DWP, 2007, 7-8). The report also draws lessons from the UK and Australia (Freud, 2007, 54-58).

¹² The report states that “Over the last year we have designed a strategy based on three key elements: careful tracking of young people to identify their needs; a flexible mix of learning provision designed to meet the needs of every young person in every area; and good advice and support to enable young people to access suitable provision” and that they will strengthen the tracking system; increase the flexibility of the provision; extend EMA, Activity Agreement pilots and the September Guarantee, as well as introduce “fourth ‘rights and responsibilities’ strand to the strategy, so that all young people who have been NEET for at least 26 weeks by the time they reach their 18th birthday are fast-tracked to the intensive support and sanctions regime of the New Deal” (Department for Children, Schools and Families, 2007, 9-10).

¹³ The first guarantee targets 16-year-olds and was implemented in 2007, the second guarantee targets 17-year-olds and was implemented in 2008 (Children, Schools and Families Committee, 2010, 10).

Families Committee, 2010, 10).

Leading up to the crisis, the dominant logic of action for activation incentives is one of a rights and responsibilities rhetoric with a strong emphasis on compulsion. Governments have commonly stated the objective of emphasizing the value of work and reducing welfare dependency. Consequently, policies are meant to increase work conditions and financial incentives for work over welfare. In addition, service provision is individualized and often contracted through the third and private sectors. Contemporary issues for youth in the UK include unstable school-to-work transitions, high levels of school dropouts and NEETS leading to low-skilled youth, and general skills mismatching (Hadjivassiliou et al., 2015, 3). Research shows youth in the UK are at high risk of unemployment, and there have been actions to make youth integrate welfare-to-work programs earlier (Clasen, 2013, 29). The next section contextualizes the hypotheses before classifying the policies and programs adopted during the period under investigation.

8.3 Hypotheses

In this section, I outline the theoretical expectations for the case. I contextualize the hypotheses with national factors to create expectations for the process-tracing sections in the substantive portion of the chapter. The subsections are in the following order. First, the policy learning framework and hypotheses. Second, the power resources and partisan preferences framework and hypotheses. Third, the historical institutionalism framework and hypotheses.

8.3.1. *Policy learning*

As specified in $H_{1.0}$, policymaking is a cognitive process in which alternatives are evaluated. To refute the null hypothesis, I must find evidence of a search for alternatives through meetings, commissions, and policy reports. Furthermore, I should find evidence that policy alternatives were evaluated to fit the national context.

$H_{1.1}$ communicates the expectation that states with high levels of uncertainty are more receptive to epistemic communities. For this hypothesis to apply in a case, there should be high levels of uncertainty. I analyze this through interviews, parliamentary debates, commissions, and committee meetings. I specifically look for ideational influence and policy learning from the OECD and the EU. According to publications from these two international organizations outlined in Chapter 1, I expect that governments who learn from these epistemic communities adopt negative supply-side and positive supply-side financial incentives following mutual obligations policies. As both organizations promote education through VET and apprenticeships, I should also find both supply- and demand-side

capacity human investment incentives in states that learn from the OECD and EU.

8.3.2. *Coalition formation*

The coalition formation hypotheses reflect the order of policy preferences for a diverse set of actors including workers, trade unions, and politicians. To present the expectations for the UK case, I situate these hypotheses within the national context.

First, $H_{2.0}$ states the assumption that policymaking is a power-based process. To refute the null hypothesis, I must find evidence that powerful actors obtained their preferred policies. It is, therefore, also necessary to identify the most influential actors. As explained in the previous section, social partners do not play an essential role in social policy provision or legislation. Due to the nature of the UK's the parliamentary system¹⁴ and a lack of social partner power, the political party forming the government should be a singularly influential actor in this case. Social partners and political parties, especially the official opposition, may attempt to impose their interests. However, their influence should be limited.

Second, $H_{2.1}$ states the main lines of conflict between actors should be determined by skill and social protection levels. This hypothesis depends in part on the scope condition of dualization. According to previous analyses, the UK does fulfill this condition. This is because labour market dualization in the liberal welfare state regime is typically skills-related (Hausermann and Schwander, 2010, 25).¹⁵ This dualization translates to low-skilled workers being more vulnerable to unemployment and atypical employment. As such, trade unions should represent their member's preferences with exclusionary trade unions having insider preferences and encompassing trade unions expressing outsider preferences. Due to the importance of skill dualization in the UK, outsider actors should actively campaign for specific policies, with skilled outsiders supporting positive activation incentives. Encompassing trade unions that represent unskilled outsiders should have a first-order preference for positive activation incentives.

Labour market demand should also affect actor positions. The European Centre for the Development of Vocational Training (Cedefop) provides a forecast of job opportunities by skill level. Their UK country report provides labour force trends for individuals 15 and over shows there has been a reduction in demand for low-skilled workers since 2005 (Cedefop, 2015). From 2005 to 2013 this represented approximately a 5% decline. Nonetheless, there will be continued demand to replace low-skilled workers leaving the labour market. Over-

¹⁴ I recognize that this factor is linked to institutional configurations. It is explained in more detail in the following subsection.

¹⁵ Welfare state programs can reduce wage inequalities resulting from dualization. Studies show this is the case in the UK, where taxes and transfers do minimize insider/outsider income ratios (Hausermann and Schwander, 2010, 18).

all, the data projects expansion for both medium- and high-skilled employment (Cedefop, 2015). From 2005 to 2013 there was an approximate 6% increase in skilled-labour in the workforce. This leads me to expect employers requiring skilled workers to have vested interests in policies that improve human capital through concrete human capital incentives.

Finally, according to $H_{2,2}$, activation incentives should be affected by party alignment. Party alignment is determined using the Manifesto Project's Left-Right scores available at the European Election Database. Scores vary from -100 (left) to +100 (right) and are averaged using party manifestos from 1992 to 2010. The partisan affiliation and score are for the main parties in the UK are: the Conservative party, a conservative-type party with an average center-right score (20.1); the Labour party, a social democratic-type party with an average center-left score (-4.3); and the Liberal-Democrat party, a liberal-type with an average center-left score (-4).

According to the power resource and partisan preferences framework, activation incentives are expected to reflect the government's preferences. There were two different governments during the period. The Labour party was in power from 2007 to 2010.¹⁶ A coalition Conservative-Liberal-Democrat government was in power from 2010-2015. The Labour party and the Liberal-Democrat party should support concrete human capital incentives. The Conservative party should support negative supply-side financial incentives. Expectations are, therefore, of conflicting preferences within the Coalition government.

8.3.3. *Feedback effects*

Hypotheses $H_{3,0}$ through $H_{3,2}$ state institutional configurations affect policy change. As the UK is a liberal welfare state, priorities are expected to be toward recommodification and cost-containment. To contextualize these expectations and understand pressures for fiscal austerity, I consider national debt. I also describe social expenditures and identify "mature" programs. To do so, I use Eurostat Database indicators on government expenditures.

First, I investigate general government gross debt in percentage of GDP over the period of analysis and annual deficit/surplus in Table 8.1 on the next page. At the beginning of the period, the UK's debt to GDP ratio was 50.2%. It increased every year during the period, and in 2016 it was 39.1 percentage points higher than in 2008. These trends demonstrate there has been consistent pressure for cost-containment. As with the other EU cases, the magnitude of government debt is contextualized by comparing it to the EU's Stability and Growth Pact (SGP) and Fiscal Compact. Both of which aim to ensure that member

¹⁶ The Labour party was in control from 1997 to 2010. However, Gordon Brown became prime minister in 2007.

Table 8.1: United Kingdom Debt to GDP Ratio

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Gross debt</i>	50.2%	64.5%	76.0%	81.6%	85.1%	86.2%	88.1%	89%	89.3%
<i>Annual deficit/surplus</i>	-5.2%	-10.1%	-9.5%	-7.5%	-8.2%	-5.6%	-5.7%	-4.3%	-3%

states maintain sound fiscal policies and avoid “excessive budget deficits or excessive public debt burdens” (European Union, 2017).¹⁷ Substantively, the SGP offers a medium-term objective of a maximum annual deficit of 0.5% GDP.¹⁸ and a long-term aim of below 60% structural government debt in GDP per reference year (European Parliament, 2012). States exceeding the debt-to-GDP ratio should reduce their excessive deficit by one twentieth each year (European Parliament, 2012). Although the UK begins the period of investigation with a gross debt under 60%, this changes from 2009 onwards. Additionally, the UK posts an annual deficit well above the recommended 0.5% throughout the period. For these reasons, there should be significant pressure for fiscal austerity during the period.

Second, as Table 8.2 on the following page shows, expenditures as percentage of GDP for social protection by program in the UK in 2015. This provides a snapshot of the most expensive policy areas for the government.¹⁹ The table shows that the UK spends only 16.4% of GDP on social protection, far less than both other cases. Once again, old age policies are the costliest at nearly 9% of GDP. Pensions account for an important portion of this spending. World Bank demographic indicators show that as of 2015, 17.76% of the UK’s population was over the age of 65, and near the eligible pension age.²⁰ The fertility rate for 2015 was 1.81 – well below the 2.1 replacement rate. Sickness and disability is the only other social protection area to receive above 2% of GDP. These policy areas could potentially crowd out youth activation spending. In contrast, social exclusion receives 1.6% of GDP and unemployment receives 0.2% of GDP.

Other factors to consider include power concentration through political institutions such as the parliamentary regime and the possibility of veto players. The UK has a bicameral parliamentary system in which the House of Representatives is elected under a majority electoral system and the House of Lords are nominated for lifetime or 12 to 15-year positions. Parliamentary systems typically lead to high control since the government can usually control outcomes (Bonoli, 2001, 241). Moreover, while the UK system is bicameral,

¹⁷ The EU has no sanctioning power over the UK for the SGP. The UK did not sign the Fiscal Compact. Nevertheless, these targets provide indicators of fiscal pressures on welfare states.

¹⁸ Or 1% if the state respects the debt-to-GDP target

¹⁹ Data from Eurostat COFOG data.

²⁰ The old-age figure has been rising since the 1960s, but particularly since the early 2000s.

Table 8.2: United Kingdom Expenditures as % of GDP 2015

Social Protection						
<i>Total</i>	<i>Old Age</i>	<i>Sickness and disability</i>	<i>Family and children</i>	<i>Unemployment</i>	<i>Social exclusion</i>	<i>Housing</i>
16.4%	8.8%	2.6%	1.5%	0.2%	1.6%	1.3%

the lower chamber holds power over the upper chamber. Finally, the first-past-the-post electoral system commonly leads to strong majority governments which is also conducive to strong power concentration (Bonoli, 2001, 242). Consequently, I expect high power concentration in the UK. This should allow the government to impose its policy preferences. Power concentration also leads to high visibility, and voter preferences may sway governments due to high accountability.

Now that I have fitted the hypotheses to the UK case, the next sections explain policy change during the period of reference which I then use to test the analytical frameworks and hypotheses.

8.4 Policies Since 2008

There were two governments in the period under investigation. The following sections reflect this. For each government, I first outline and categorize youth activation incentives. Second, I analyze the policymaking process on the most significant youth activation incentives adopted, visible in Table 8.3, to test the three analytical frameworks.

The sections are as follows. First, the Labour government was in power from 2007 to 2010. Second, there was a Coalition government between the Conservative and Liberal Democrat parties from 2010 to 2015.

Table 8.3: Timeline of Youth Activation Policies in the United Kingdom

2007	Labour Party, Gordon Brown	
2008		
2009		Young Person's Guarantee & Future Jobs Fund
2010	Conservative, Liberal Democrat Coalition, David Cameron	Work Programme
2011		Youth Contract
2012		
2013		
2014		
2015		

Table 8.4: Labour Activation Incentives 2008-2010

		Incentive Mechanism			
Labour Market Lever		Negative Financial Incentives	Positive Financial Incentives	Organizational Human Capital Incentives	Concrete Human Capital Incentives
Demand-Side	I <i>Incentives to encourage employment</i>		III <i>Subsidized employment</i> YGP; FJF, apprenticeship & internship subsidies	V <i>Administrative Services</i>	VII <i>Company Training</i>
Supply-Side	II <i>Increased labour search incentives</i> YPG: Mandatory and sanctions		IV <i>Fiscal incentives</i>	VI <i>Employment Services</i> YPG: Increased advisors	VIII <i>Upskilling</i> September, January and Graduate Guarantees Education and Skills Act Apprenticeships, Skills, Children and Learning Act

8.5 The Labour Government

The Labour government responded to the financial crisis and recession by maintaining their existing active labour market policy objectives (DWP, 2009, 12). It also invested £5 billion in unemployment initiatives, a significant portion of which – £1 billion – went to supply-side positive financial incentives. The following section explains policy measures adopted by the Labour government and classifies them in Table 8.4.

8.5.1. Policy response to the crisis

An overall strategy for all unemployed during the crisis, regardless of age, was to increase the number of advisors for public employment services (PES) to meet the influx of demand and ensure that the unemployed remain active and that labour demand is maintained (DWP, 2009, 35). Support was reinforced for youth through Jobcentre Plus and administrative changes to ensure youth have access to a personal advisor on day one of claiming JSA (DWP, 2009, 9 and 39). These measures are classified as employment services in Table 8.4. Additionally, the Labour government adopted youth specific measures. Except for the 2008 Education and Skills Act (adopted before the recession fully affecting the UK) and the 2009 Apprenticeships, Skills, Children and Learning Act, all of these initiatives are temporary.

Policies for 16 to 17-year-olds can be divided into two activation incentive types, upskilling and employment subsidies. First, upskilling policies include raising the compulsory participation age with the 2008 Education and Skills Act (Children, Schools and Families Committee, 2010, 11);²¹ guaranteeing apprenticeship places for qualified youth between the ages of 16 and 18 through the 2009 Apprenticeships, Skills, Children and Learning Act (Children, Schools and Families Committee, 2010, 11);²² creating a guaranteed offer in a place of learning under the September Guarantee; and providing 16 to 17-year-old NEET “an offer of an Entry to Employment place, and Education Maintenance Allowance to go

²¹ In 2013 the age became 17, and in 2015 it became 18. The government’s strategy also included “investing in potential”. In 2009 it published “Strategy to increase the proportion of 16- 24-year-olds in education, employment or training”.

²² This Act also transfers the responsibility of funding for both education and training to the local authorities.

with it” under the January Guarantee (DWP, 2009, 38).²³

Second, the government created job subsidies for employers to encourage them to create apprenticeships and work placements. An example of this is the National Apprenticeship Service, which provided funding the employers that created apprenticeships. Another example is Apprenticeship Grants for Employers (AGE). The program is meant to “incentivise smaller employers to take on new young apprentices” by providing a grant to employers to encourage apprenticeships (DWP, 2012b, 46).²⁴ The Labour government also adopted policies that target 18 to 24-year-olds. This includes measures to ensure this age cohort can access guarantees for training, internships or work experience. An example of this is the Graduate Guarantee, which provides unemployed graduates with an offer of a graduate internship or support of a different nature after six-months of unemployment (Long, 2010; DWP, 2009, 9). Among these various measures, the Young Persons Guarantee (YPG) represents a flagship initiative for the Labour government.

8.5.2. *Young Person’s Guarantee*

The YPG is a support package consisting of initiatives to target youth between the ages of 18 and 24 on unemployment benefits for six months or more. Announced in the 2009 Budget and extended and fully implemented in 2010, the YGP provides guaranteed access to either a job via the Future Jobs Funds (FJF), support through the Routes to Work program and Care First Career, work-focused training, or work experience via a Community Task Force²⁵ (Children, Schools and Families Committee, 2010, 11).²⁶ Initially a voluntary scheme, it became mandatory in April of 2010 (House of Commons Work and Pensions Committee, 2011, 5). These measures represent a mix of upskilling and increased labour search incentives.

As part of this package, the government also created positive demand-side financial incen-

²³ The January Guarantee includes a fiscal incentive through the Maintenance Allowance.

²⁴ Apprenticeships have become an important strategy in the UK. In 2009, the government published a White Paper on Skills for Growth. The paper advocates “1) building a “modern class of technicians”, with an overarching ambition that three quarters of people should participate in higher education or complete an advanced apprenticeship or equivalent technician level course by the age of 30; 2) doubling the number of advanced apprenticeships to 35,000 places over the next two years, with additional funding for advanced (level 3) and higher (level 4) apprenticeships of GBP 17 million (€19.1 million as at 14 January 2010) in 2010-2011 and GBP 115 million (€129.1 million) by 2014-2015; 3) supporting apprentices to progress to higher education through the introduction of a new Apprenticeship Scholarships Fund, offering bursaries of up to GBP 1,000 (€1,123); 4) developing a new network of University Technical Colleges for young persons aged 14-19 years; 5) empowering learner choice as a means of enhancing provider performance through the use of an updated version of new “Skills Accounts”; 6) introducing lighter touch monitoring arrangements for providers that perform well; 7) simplifying the skills system by supporting the UKCES recommendation that the number of skills and funding agencies should be reduced by over 30 bodies within the next three years, including new plans for a ‘substantial reduction’ in the number of Sector Skills Councils” (DG EMPL, 2017b).

²⁵ As part of the Young Person’s Guarantee, there was a Community Taskforce as part of the Department of Work and Pensions. They “helped young jobseekers aged 18-24, by giving them up to six months of work experience. Work placements often provided environmental, economic and social benefits to their community - e.g. including roles such as land management workers, gardeners and recycling workers” (DG EMPL, 2017b).

²⁶ Initially, the pledge by the government was after 12 months of unemployment (DWP, 2010c, 5).

tives, otherwise known as job subsidies. These incentives include apprenticeships and work placements for youth.²⁷ An example of this is the Backing Young Britain Campaign which incentivized employers to create apprenticeships, internships, work experience or mentoring schemes in exchange for financial support from the government. The FJF is another example and a particularly important piece of the YPG. With approximately £1 billion in funding, the FJF was meant to create 200,000 temporary jobs by directly compensating employers (Harari, 2011, 1).²⁸

Generally, between 2008 and 2010, the Labour government adopted a mix of employment services, subsidized employment, increased labour search incentives and upskilling. It also maintained different strategies for different age cohorts. The government continued to target youth 16 to 17-years-of-age for education and training and kept their education reform agenda. Older youth between the ages of 18 and 24 were provided with a broader range of programs that were more work-oriented. The most significant change to youth policy during the period was the adoption of a demand-side policy – rather than the traditional supply-side approach – creating employment subsidy incentives. The logic of demand-side incentives existed in the 1990s with the New Deal for Young People. However, it was not part of the Flexible New Deal. Moreover, the cost per individual for the FJF was much higher than for previous subsidies.

8.6 Theory Testing and Narrative

Labour adopted many policies to address youth unemployment during the period under analysis. In this section, the hypotheses are tested on the Young Person's Guarantee (YPG) and the Future Jobs Fund (FJF).²⁹ These policies are selected because they represent social and labour market policy change during the period. They also introduce a competing logic of action for youth policy, demand-side incentives.

8.6.1. Issue salience

To begin, I analyze whether or not youth was a salient policy issue before the financial crisis and recession. Notwithstanding the fact youth issues were prominent in the UK

²⁷ Under the Labour government, there was a review of apprenticeships, the Leitch Review. Among the recommendations, the government created the National Apprenticeship Service (Mirza-Davies, 2015b, 8). Also, the 2009 Apprenticeships, Skills, Children and Learning Act guarantees to provide an apprenticeship for all qualified individuals between 16 and 19 who did not have one and wanted one. This act only affects England as apprenticeships are devolved. However, it was not meant to start during the crisis, but in 2013 (Mirza-Davies, 2015b, 9).

²⁸ Organizations bid for contracts to obtain funding for the temporary jobs. These jobs were for a minimum 25 hours a week for six months at the National Minimum Wage (House of Commons Work and Pensions Committee, 2011, 8; Harari, 2011, 2).

²⁹ Many of the policies for youth adopted during the recession pre-date the financial crisis. For example, both the September and January Guarantees as well as the inquiry into NEET, the 2008 Education and Skills Acts, and the Apprenticeships, Skills, Children and Learning Act 2009 began before the financial crisis and recession. Apprenticeship reform began in 2007, and a review of Apprenticeships was completed in 2008 (HM Government, 2009b), and based on the Draft Apprenticeship Bill adopted in July of 2008 (HM Government, 2010e). Other initiatives, such as the Graduate Guarantee and AGE, are education policies that represent smaller policies that add-on to existing initiatives.

in the decade before the Great Recession, they were not a critical political issue in the years before the crisis. The Labour party made reducing youth unemployment a campaign promise in its 1997 party manifesto.³⁰ Despite this, youth were not an electoral issue in 2005 – the most recent election before the financial crisis.³¹ Evidence shows youth employment continued to be a non-issue in the lead-up to the crisis.³²

Second, although youth was not a salient issue, I investigate policymakers' satisfaction with the policy status quo prior to the financial crisis by analyzing the legislative agenda. Policy priorities between 2008 and 2010 with the potential to impact youth employment include welfare and education reform.³³ Despite the fact the government was legislating these issues, reforms show few signs the Labour party was dissatisfied with the status quo or overall logic of action on youth employment.³⁴ To the contrary, these reforms represent a continuation of the Labour policy agenda from 1997 on.

Welfare reform serves as a prime example of this. As the crisis began to affect the world economy, the Labour government introduced the Flexible New Deal (FND). Though a welfare reform, the FND largely maintained existing policy priorities and logic of action.³⁵ The primary adjustments created by the reform were to reinforce obligations for work, to increase flexibility and to personalize support (HM Government, 2008c; DWP, 2007). These objectives did not change as a result of the crisis and recession. When youth are mentioned in the reform, the aim is to continue the existing logic of action.³⁶ The Apprenticeships, Skills, Children and Learning Act provides a second example. This education reform is also a continuation of the 2008 Education and Skills Act and a response to a

³⁰ Labour included ten promises to be accomplished within five years. The fifth was “We will get 250,000 young unemployed off benefit and into work” (Labour Party, 1997).

³¹ In their party manifestos, the Conservative and Liberal-Democrat parties rarely mention youth. When they do, it is regarding education or crime (Conservative Party, 2005; Liberal-Democrat Party, 2005). Labour does mention youth in the Labour party manifesto. That being said, it is to state that, through their New Deal program, “long-term youth unemployment has been virtually eradicated, with over half a million young people helped into work” (Labour Party, 2005, 11).

³² In 2007, Jim Murphy, then Minister of State for Employment and Welfare Reform, reiterated the view that youth unemployment had been eradicated.

³³ Welfare Reform Bill, the 2008 Education and Skills Act. This act notably makes participation in education and training mandatory for all 18-year-olds by 2015. It also implements recommendations from the 2006 Leitch Review. (HM Government, 2008a). There was also the Draft Apprenticeship Bill which led to the 2009 Apprenticeship, Education, Skills and Learning Act. Among other modifications, this act creates the right to an apprenticeship for 16 to 18-year-olds and devolves responsibility of this age group to local authorities. (HM Government, 2009c).

³⁴ The government did have strategies for youth including the 2007 strategy for reducing NEET from the Department of Children, Schools and Families under Ed Balls. That being said, their overall position was that they had addressed youth unemployment in their first welfare reform in 1997. Secretary of State for the DWP, John Hutton states “Youth unemployment has been virtually eradicated” (DWP, 2006, iv). This sentiment was repeated by multiple Labour MPs including the Prime Minister.

³⁵ Indeed, during DWP Committee meetings in January and March of 2009 multiple actors confirmed the department would maintain the timetable to implement the FND despite the recession (HM Government, 2009g,m).

³⁶ Labour made youth the priority in their initial welfare reform, the New Deal for Young People. They then expanded this into a series of programs. The FND reforms them into one program. For youth, the FND emphasizes NEET and especially the 16 to 18-year-old age cohort (DWP, 2007, 74-75).

2008 white paper³⁷ and the Apprenticeships Bill.³⁸

This is not to state no actors were dissatisfied with youth employment policy before and during the financial crisis. There were dissident voices within Labour³⁹ and opposition parties.⁴⁰ In addition, the OECD published “Jobs for Youth: United Kingdom” a report in 2008 that provided mixed results for Labour’s programs and was used by opposition parties to criticize the government (OECD, 2008). That being said, the government’s position on the issue remained stable throughout the period.

8.6.2. Government response to the crisis

Whereas the financial crisis began to affect the UK in early 2008, youth were not immediately an issue; youth employment became a policy priority in early 2009. In January 2009, Prime Minister Gordon Brown declared there would be subsidies for employers to help people enter work and training (BBC, 2009b). Nevertheless, these announcements contained little information on the proposed policies and did not target youth. The government was appraising the situation and there was no intention to create new schemes for youth unemployment as of January 2009. In fact, when questioned on youth unemployment levels in early January 2009, the Secretary of State for Work and Pensions, James Purnell, stated the evidence on youth unemployment was contradictory, as the ILO increases were not reflected in the government’s JSA claimant counts (HM Government, 2009g). Purnell clarified the government was keeping an eye on the issue and stated:

“I think we are expecting more people to stay on in further education and secondary education. Clearly for those people who do not do that, who want to get into the labour market, we need to make sure that our range of employment support is effective for them and, also, that we continue things like fast-tracking people who have not been in employment, education or training onto the Flexible New Deal. We want to maintain a range of interventions, not assume that this recession will be the same as previous ones, and respond quickly as trends emerge”

³⁷ “Raising Expectations: Enabling the system to deliver”.

³⁸ There is some evidence the crisis had an impact on policy outcomes. In early 2009, the Innovation, Universities, Science and Skills Committee released a report analyzing the previous skills review in light of the crisis (16/01/09). The report calls for a change from upskilling to re-skilling due to the crisis and recommends “radical reform of the government’s Train to Gain program”. However, this program affects VET for individuals 25 and over, not youth as defined by the UK.

³⁹ Dissident voices include Frank Field. In 2007 Field co-authored a report on the New Deal for Young People arguing that it was not successful as Labour claimed (Field and White, 2007).

⁴⁰ One critique prior to the recession was the number of school dropouts. Throughout the crisis and recession, both opposition party leaders, David Cameron and Nick Clegg were vocal in their disagreement. The Conservative party Shadow Secretaries of State for DWP Chris Grayling and Theresa May, as well as the Liberal-Democrat spokesperson for the DWP Steve Webb, were vocal dissidents of youth employment policy.

(HM Government, 2009g).

The first substantive measures for youth (besides an increase in the number of apprenticeships in January) were released in the April in the 2009 Budget.⁴¹ Labour announced additional discretionary funding for Jobcentre Plus to meet the influx in demand due to increasing claimants as well as the Young Person's Guarantee (YPG) and the Future Jobs Fund (FJF) (HM Government, 2009a, HC 407, para 1.24). The increase in service provision had been announced in the November Pre-Budget speech (HM Government, 2008b) to ensure the provision of services for Jobcentre Plus.⁴² The YPG and FJF were not in the Pre-Budget reports. Despite this, the policy was put in place rapidly. Implementation was announced in the autumn of 2009 (coinciding with official reports of a rise in youth unemployment to 19.1% in August 2009).

From the time Labour announced these measures, the government maintained the same position on youth employment objectives: to avoid the long-term burden on the state and the scarring effects of unemployment on individuals.⁴³ Labour's the official line on youth unemployment was that "short-term job loss should not lead to a lifetime on benefits" (HM Government, 2009d), and that Labour was willing to pay the price for policies to ensure this did not occur (HM Government, 2009i,h). Labour's reaction to rising youth unemployment was explained as a moral decision by people within the party (BBC, 2009a; Interview McCabe, 2017, 45).

While the Labour party maintained the same argument throughout its time in government, some policy elements did change. Namely, when presenting the draft legislative program in June of 2009, Gordon Brown announced the YPG would be mandatory, thus creating negative supply-side financial incentives as benefits would be cut in cases of non-compliance (HM Government, 2009i). The timeframe to qualify for benefits was also changed in December of 2009 from 10-months to six. Both the Conservative party and the Liberal-Democrat party had called for these changes in the past.⁴⁴ Despite this, when questioned on the reasoning behind these changes, an official at the DWP stated that these were not major modifications to the policy (Correspondence DWP, 2017). For instance,

⁴¹ The government announced an increase in the number of apprenticeships in early January 2009. Brown announced an additional £140 million for 35,000 apprenticeships on January 7th, 2009. Labour also held a job summit in which Prime Minister Gordon Brown and James Purnell announced funding to train the unemployed (BBC 12/01/09).

⁴² This was confirmed by Secretary of State for the DWP James Purnell in a January DWP Committee meeting (HM Government, 2009g).

⁴³ Upon publishing their white paper explaining the government's response to the recession, Secretary of State for Work and Pensions Yvette Cooper confirms that one of the Department's objectives is to reduce long-term unemployment (HM Government, 2009l). She cites both the YGP and FJF as having this objective (HM Government, 2009l).

⁴⁴ For example, Theresa May, who took over as Shadow Secretary for the DWP in January 2009, stated that interventions for youth should occur earlier for youth (six-months rather than 10) (HM Government, 2009f, col. 738).

since the FJF was meant to target the long-term unemployed, the change to six-months was explained as a reassessment to ration the program more efficiently (Correspondence DWP, 2017). Finally, the Labour government maintained confidence in their youth scheme program by extending the FJF until March 2012 and increasing the number of places in their 2010 Budget (DWP, 2010c, 5).

8.6.3. Power concentration and issue visibility

Given the structure of the political system in the UK, the Labour government had the power to adopt policies and opposition parties and social partners lacked any veto power to stop them from doing so. Nevertheless, actors could politicize the issue to attempt to influence policymaking. For example, the Conservative party opened debates to adopt multiple motions criticizing the government's reaction to and its role in the recession. However, they were unable to adopt the proposals. Also, the Conservative and the Liberal-Democrat parties attempted to politicize the issue by referring to rising youth unemployment rates and linking them to Labour's 1997 youth employment promises during parliamentary debates.

I hypothesize left-leaning governments favour concrete human capital incentives and right-wing parties favour negative supply-side incentives. Neither proves to be true in this instance. Although there are training elements in the YPG and FJF, and it later became mandatory, both the Labour government and the official opposition, the Conservative party, supported positive demand-side financial incentives. In addition, multiple commentators have noted the shift from supply-side to demand-side measures – even if for a temporary employment scheme – represents a change in Labour's policy approach (Correspondence Field; TUC, 2009a; TUC, 2009b, 4; Ali, 2013).

Throughout the period, government spending and the deficit were a source of political conflict. The Labour party was fiscally interventionist during the recession and in favour of Keynesian-style fiscal stimulus with Gordon Brown showing an apparent desire to be a global leader by promoting these policies on the world stage. The Conservative party was in favour of reducing spending immediately as well as limiting the overall size of government. Despite this, the main subject of conflict for youth employment policy was not whether or not to provide subsidies for job creation. Instead, the political debate focused on credit for the policy initiative.

Upon the first announcement of employer subsidies in January 2009, Chris Grayling, at the time the Conservative Shadow Secretary for the DWP, argued in favour of employer subsidies to hire the unemployed (BBC, 2009b). However, the Conservative party's scheme

prioritized private businesses rather than the public sector (HM Government, 2009f, col. 718 and 737 HM Government, 2009j, col. 828). It also proposed an alternative welfare program, the Work Programme (HM Government, 2009f, col. 738). Although in fundamental disagreement with the level of spending, leader of the opposition David Cameron went as far as to state the FJF was a Conservative idea because benefits are withheld in cases of non-compliance (HM Government, 2009i, col. 26). In fact, on numerous occasions MPs stated Labour had stolen their policy ideas.⁴⁵

Whereas the Conservative party attacked Labour on spending, Labour's main line of argument throughout the period was that they were learning from past recessions in the UK in the early 1980s and 1990s. The Conservative party was in power at that time. As such, this argument is an example of both political rhetoric as well as of cognitive policymaking. This is explained in the next subsection.

8.6.4. Ideational and political influence

A former civil servant at the DWP stated the design of the YPG and FJF was "largely an internal exercise" in which civil servants, financial advisors and ministers adapted previous policies and Intermediate Labour Markets into an activation scheme (Interview DWP II, 2017, 56). Within this internal process, evidence shows both ideational and political factors affected the policymaking process during the financial crisis and recession. On the one hand, the decision to invest in Jobcentre Plus to hire additional staff was based on previous learning from recessions in the UK. On the other hand, evidence shows the YPG, particularly the FJF component, were mostly political decisions.

According to an official at the DWP, policy responses increasing employment during the financial crisis and recession were all evidence-based (Interview DWP I, 2017). Nonetheless, findings indicate that specific measures were influenced by learning from past experiences whereas others were affected by political calculation. There is evidence of ideational influence; however, it is not from the hypothesized sources. Rather than epistemic communities from the OECD or EU influencing domestic policymaking, ideas from national experiences and experts within the UK were used.

Furthermore, the government did not exhibit signs of high uncertainty during the crisis. Rather than be influenced, Gordon Brown was confident in his fiscally interventionist solutions to the crisis and attempted to exert his influence as a leader on the world stage.

⁴⁵ The Future Jobs Fund was also compared to the Conservative's Community Programme in the 1980s by both Conservative MPs (HM Government, 2009f, col. 670) and the media (Barker, 2009). Additional evidence that Labour and Conservative parties shared ideational influences can be found in the Conservative party hiring David Freud, a key consultant for Labour and the author of an independent review of Labour's welfare-to-work strategy (2007), as a spokesperson for the Conservative party in February of 2009 (Hinsliff, 2009).

An example of this is his role at the G20 summits in Washington and London during which he forcefully argued in favour of fiscal stimulus and regulation (Winnett et al., 2008; HM Government, 2009e).

More specifically on employment policy, an official at the DWP recognized there was uncertainty within the department during the crisis. The DWP was unsure how profoundly the recession would affect unemployment levels and the number of benefit claimants (Interview DWP I, 2017, 30). Despite this uncertainty, the interviewee argued this was a natural consequence of the recession that did not necessarily affect decision making or cause the DWP to search for outside ideas (Interview DWP I, 2017, 30). Meaning that although the DWP is open to looking for ideas from abroad, the cyclical measures adopted to respond to the recession are not examples of this (Interview DWP I, 2017, 30).⁴⁶ Nor are there any references to the OECD or EU in the YPG or the FJF.⁴⁷ In fact, an interviewee with knowledge of the policymaking process for both policies explained that the EU and European Social Fund (ESF) funding had no effect on either the YPG or the FJF (Interview DWP II, 2017, 62).

An official explained that while there were high levels of uncertainty during the crisis, the DWP had a general understanding of how recessions affect unemployment flows and how to respond to these influxes. Moreover, multiple civil servants in the department had the first-hand experience from previous recessions. Meaning the DWP used information on the peak number of claimants from past UK recessions to guide their policy response (Interview DWP I, 2017, 23). Consequently, the DWP attempted to be as pragmatic as possible throughout the crisis (Interview DWP I, 2017, 33). In the official's opinion, employment policy timing was partially linked to how many individuals were still claimants at the six-month unemployment period (Interview DWP I, 2017, 23). Accordingly, evidence of learning during the crisis mostly comes in the form of national experts and within departments rather than through external epistemic communities.

Evidence supports the argument the DWP learnt from past experiences. Contrary to previous recessions, activation measures were not temporarily stopped due to weak labour demand. Instead, the UK adopted additional activation schemes, primarily in the form of frontline investments (Interview, DWP II, 2017, 55-56). A DWP official explains that

⁴⁶ According to the interviewee, their primary interest lies in randomized control group trials. In addition, the DWP has created a body of evidence over the past six to eight years that they rely on in such instances (Interview DWP I, 2017, 30).

⁴⁷ There is no ideational influence from the EU for the YPG or FJF. However, the EU's regulations may have affected the composition of the scheme. In a report of the FJF, the DWP states that the requirement that FJF posts benefit the community and to be "additional" positions, meaning jobs that would not otherwise have been created without FJF funding, were adopted to ensure that the UK complied with EU state aid rules (DWP, 2010c, 26).

the decision to invest in additional personnel as advisors at Jobcentre Plus was evidence-based (Interview DWP I, 2017, 22). He states learning from past UK recessions showed that when labour demand decreases it is best to keep claimants motivated to look for work (Interview DWP I, 2017, 22). Meaning the DWP used evidence and decided to maintain the existing logic of action rather than reduce work criteria or time with advisors. This is confirmed at a DWP Committee Meeting in which the acting Chief Executive of Jobcentre Plus, Mel Groves, provided oral evidence. He explains their priorities did not change as a result of the crisis and that emphasis remains on customer service (HM Government, 2009m).⁴⁸ Moreover, the YPG is explained as a continuation of the New Deal policies of the late 1990s and early 2000s (Interview DWP II, 2017).

While the decision to invest in additional staff at Jobcentre Plus was evidence-based, the decision to invest in work subsidies was politically motivated and created with ministerial input (Interview DWP I, 2017, 23). The Prime Minister's Office, Cabinet Office and Treasury Department are all stated to have had significant influence (Interview DWP I, 2017, 27; Interview DWP II, 2017, 55-57). The adoption of a demand-side subsidy has been explained as "a political wish [...] to create something around demand" (Interview DWP I, 2017, 24 and 27) and included input from the Prime Minister and the Chancellor of Exchequer, Alistair Darling (Interview McCabe, 2017, 46; Ali, 2013, 20). Findings show that, although the decision to create demand-side financial incentives was political, there were still cognitive elements to the creation of the program. Once given the request, the DWP used available evidence to make the scheme as cost-effective as possible. The main criteria were how to create job demand for benefit claimants that would allow the most of the cost of the project to be regained through the reduction in benefit claimants and increased tax yields (Interview DWP I, 2017, 25). There is also evidence of ideational influence from local policy advisors and academics. For example, a former civil servant at the DWP explained there was indeed a political request for fiscal stimulus and demand-side measures (Interview DWP II, 2017, 55-57). However, the form these measures should take was not entirely dictated. Local actors and policy experts had some leeway to influence policymaking by proposing policy ideas. In this way, external actors could play a role in policymaking.

Various actors have been cited for their impact in the choice to adopt demand-side subsidy. Stephen Houghton, a counsellor at a local authority, is said to have been influential in the creation of the FJF (HM Government, 2011k, col. 981, 996; Interview DWP II, 2017, 55-57).

⁴⁸ They also highlight the importance of skills (10:42) and coordination with local businesses through REC (9:55).

In 2009 he co-authored a report on the issue of worklessness and was counselled to ensure the recommendations in the report could be used by the government (Houghton et al., 2009; Interview DWP II, 2017, 57).⁴⁹ Professors Paul Gregg and Richard Layard⁵⁰ also submitted a proposal for a youth employment program in mid-March 2009. The document proposes a Job Guarantee, in the form of employer subsidies to create wages and maintains job search requirements for participants (Gregg and Layard, 2009a, 2).⁵¹ According to an official at the DWP, these authors were influential because they commanded the respect of Labour party politicians (Interview DWP I, 2017, 28). Besides, both had worked with the DWP in the past, and Gregg is a former member of the Department of Treasury's Council of Economic Advisors.⁵²

Gregg and Layard, who belong to academic communities, were partially influenced by ideas from other nations and the OECD. This influence is most evident in Paul Gregg's published works. For example, in defence of the YPG and FJF, Gregg advocates building on the body of knowledge created by programmatic failures in the UK, United States, Australia and New Zealand to develop hybrid schemes that blend job creation and job search (2009; 2008, 10, 13). Gregg also cites OECD influence. An official at the DWP confirms that continued job search was a vital aspect in the FJF (Interview DWP I, 2017).

An interviewee stated the OECD played no formal role in the policymaking process for either the YGP or the FJF (Interview DWP II, 2017, 58). The OECD does not unequivocally advocate demand-side policies, also sometimes referred to as an Intermediate Labour Markets (ILM). As Gregg explains, the OECD (1994) and experts have stated such measures are ineffective in the past. However, citing a more recent analysis by Melvin Brodsky (2000), OECD coordinator for the US Department of Labour, Gregg argues that ILM may be effective for the most difficult to reach individuals such as unskilled long-term unemployed (2009, 3). Meaning that, although Gregg states OECD reports influenced his recommendations, the OECD was not actively recommending these policies in 2009. In the cognitive framework, visible in Figure 2.1, the flow of ideas from the international

⁴⁹ However, his influence is not unequivocal. When questioned an official at the DWP stated this is not the case and that these authors may have been influential in other policies adopted to respond to the recession unrelated to youth (Correspondence DWP). The term "challenge fund" is used in the FJF (DWP, 2010c, 3).

⁵⁰ A life peer for the Labour party in the House of Lords.

⁵¹ The document proposes a Job Guarantee, paid in the form of employers subsidies to create wages and not benefits, for 18 to 24-year-olds and people over the age of 25 (Gregg and Layard, 2009a, 2). The authors state that a different approach should be taken for 16 to 17-year-olds as they should be in education or training. Gregg had already recommended that the government explore Intermediate Labour Markets (ILM) to aid those furthest from the labour market in an independent report to the DWP in 2008 (Gregg, 2008).

⁵² Although an advocate for the ILM, Gregg himself states that he was not involved in the final design of the FJF (DWP, 2010c, Ev 11).

to the national subsystem is a crucial factor in this case with national actors adapting existing policies to their context. The choice to make the FJF a wage through subsidies rather than a benefit was also a conscious decision on the part of the DWP (Interview DWP I, 2017) and supported by experts including Gregg and Layard (2009a) as well as social partners such as the TUC (2009b). The objective being to ensure credibility and to avoid stigma as well as to maintain worker's rights. Therefore, there is evidence that the choice of policy instrument was influenced by policy learning through experts and the DWP. Regardless of expert influence for a demand-side policy, the decisions to adopt ILM instead of a different instrument and to focus on youth were politically motivated.

DWP reports provide no evidence that alternative policies were proposed or analyzed. While experts such as Houghton, Gregg and Layard did submit policy proposals, neither the YPG nor the FJF was the product of a policy report, review or inquiry. These policies were the product of a dialogue between civil servants and ministers (Interview DWP II, 2017, 57-58). As such, there is little evidence alternative policies were evaluated or even considered. Findings show the DWP had previously analyzed subsidized employment schemes in other nations.⁵³ They determined subsidized job schemes that pay a wage can be effective at increasing employment outcomes (Crisp and Roy, 2008, 1). However, no new reports were commissioned to evaluate these policies during the crisis, and there were no visits or requests for visits abroad related to youth employment policies during the period (DWP, 2010b).⁵⁴ Finally, it is important to note that Gregg and Layard advocated demand-side job creation policy for the general unemployed population, not only youth.⁵⁵ Despite this, the government's demand-side job creation policies focused on youth.⁵⁶

8.6.5. Youth, a visible target population

One reason the Labour government may have focused on youth is that it was a more pressing issue. To determine this, I compare youth unemployment (15 to 24) to the general population (25 and over).⁵⁷ Between 2007 and 2008, youth unemployment rose from 14.3% to 15% whereas the general unemployment rate rose from 3.5% to 3.8%. While youth unemployment rose slightly more, the overall trend is no different than it had been in the

⁵³ The United States, Canada and Australia.

⁵⁴ There were, however, visits abroad on other policy issues during the period. For instance, on the subject of child poverty.

⁵⁵ For example, in a Financial Times article published after the 2009 Budget, both authors defend the YPG through examples with Danish and Dutch policies as well as the OECD (Gregg and Layard, 2009b). They argue in favour of making the scheme mandatory and should apply after 18 months of unemployment for those over the age of 25 and 12 months for 18 to 24-year-olds (Gregg and Layard, 2009b).

⁵⁶ Youth were not the only target population, zones with high unemployment were also targeted. Youth was, however, the primary target population.

⁵⁷ I use ILO statistics as they are referred to in parliament.

UK.⁵⁸

Further evidence that youth was not an immediate concern comes directly from Secretary of State for the Department of Work and Pensions James Purnell. In January 2009, upon being asked what measures were in place or youth by a committee member, Purnell stated the ILO figures include youth in education, and they conflict with the government's data on JSA claimant rates. Also, he specified that youth have high reintegration rates. Consequently, Purnell announced no additional measures (HM Government, 2009g).⁵⁹

While youth unemployment rates may not have been an immediate concern, a body of evidence demonstrates youth represent a more vulnerable segment of the working population, especially in times of economic crisis. According to an interviewee, David Blanchflower, an economics professor, also influenced the debate on youth. His impact was not directly programmatic, but rather through continuous publishing and calls for action on the issue (Interview DWP I, 2017, 28). This is visible in comments from members of parliament with members from all parties using Blanchflower to defend their claims for action on youth issues.⁶⁰ Additional proof that youth were understood to be more vulnerable comes from the Treasury Department. In April, the Treasury Committee justified youth funding by explaining that evidence shows youth are more vulnerable than the general population because they are entering the labour market (HM Government, 2009k).⁶¹

Another reason for the focus on youth is this age cohort's political significance. According to interviews, the decision to focus on youth was political and linked to Gordon Brown (Interview DWP I, 2017; Interview McCabe, 2017; Interview DWP II, 2017). Labour made youth a central issue in its 1997 election campaign, and Brown was one of the key architects of welfare reforms during that period. Under the circumstances of high issue visibility and after over a decade in power, rising youth unemployment once again became a key issue for the Prime Minister. It is noteworthy that the Labour party showed signs of political fragmentation in 2009 and 2010. As a sign of dissent within Labour party ranks, James Purnell was one of the MPs who resigned during the period in objection to Gordon Brown's leadership (Porter and Kirkup, 2009).⁶² In this context, youth was an issue around which

⁵⁸ Youth unemployment rose significantly higher in 2009 to 19.1% and general unemployment to 5.4%, but those statistics were not available when the 2009 budget was agreed upon.

⁵⁹ The government had, however, already announced the Graduate Guarantee and an increase in the number of apprenticeships at that time.

⁶⁰ Blanchflower publicly denounced the Conservative party's policy proposals to resolve the recession (Blanchflower, 2009).

⁶¹ At the time, they stated that those entering and exiting the labour market – youth and retirees – are most vulnerable.

⁶² In a 2010 opinion piece on the Coalition government's welfare reform, Purnell states that he had pushed for more radical welfare reform before resigning (Purnell, 2010).

Brown could showcase his leadership and past policy successes. In addition, the change in the Secretary of State for Work and Pensions from James Purnell to Yvette Cooper affected youth employment policy. According to a member of DWP, Cooper emphasized youth issues in her new role (Interview DWP I, 2017, 26).⁶³

Furthermore, the government was well-aware that elections would be held in the spring of 2010. For example, there is evidence that youth was an electoral issue in expert testimony during a DWP Committee Inquiry on Youth Unemployment and the Future Jobs Fund in 2011. An interviewee stated that the FJF was implemented very quickly and some committee members speculated the election affected the timetable for policy implementation.⁶⁴ Finally, as multiple actors articulated, youth is a cross-party issue in the UK (Interview DfE, 2017, 3; Interview McCabe, 2017). Opposition parties consistently made statements in parliament and the media about youth unemployment during the period and used rising youth unemployment as an example of the government's failures.

8.6.6. Social partner and stakeholder influence

While Labour did consult with business leaders and trade unions during the crisis, evidence shows little social partner influence in the decision to adopt the YPG and FJF.⁶⁵ Even though actors appear to have taken positions based on their interests, skills and social protection levels were not the primary conflict lines during the policymaking process. Skills were mentioned and analyzed, primarily by the Department of Innovation, University and Business and the Department of Education. Moreover, the YPG had the explicit goal of ensuring that youth were in work (through a work placement or subsidized employment) or training. Nevertheless, skill types were not lines of conflict per se.

Findings show that businesses do not have a first-order preference for employment subsidies. According to interviews, businesses in the UK typically have low preferences for wage subsidies (Interview DWP I, 2017, 35-36, Interview DWP II, 2017). For example, the British Chambers of Commerce (BCC) and Confederation of British Industry (CBI) did not advocate in favour of employment subsidies for employers during the recession. Instead, they favoured businesses loans, especially for small and medium-sized enterprises (SME) (Wintour, 2009). It should also be noted that most of the jobs created by the FJF were in the public or non-profit sectors (DWP, 2010c, 25).

⁶³ Nevertheless, Cooper needed to work alongside both the Prime Minister's Office and the Treasury on these matters (Interview DWP I, 2017, 28).

⁶⁴ One expert said that "the Future Jobs Fund was set up to do a very specific job for a temporary period of time: to create 150,000 jobs in a hurry" and that "I have never seen any Government program in any Department set up at the speed this was set up." (DWP, 2010c, Ev 9).

⁶⁵ For example, Gordon Brown held a summit with union leaders in September 2009.

Trade unions did favour employment subsidies. At their 2009 congress, the Trades Union Congress (TUC), a federation of trade unions, took a formal position on the issue of youth unemployment related to the recession stating that they welcomed the government's shift towards demand-side initiatives. However, they advocated for more support in the form of jobs in the FJF for youth and the broader unemployed population (TUC, 2009a). The spokesman for the TUC, Brendan Barber, called on the Labour government to adopt employment subsidies for training and work experience in April 2009. The TUC advocated a more substantial investment than the one selected (£90 billion) and specifically mentioned that long-term unemployed youth and low-skilled workers should be prioritized (Hopkins, 2009). The TUC successfully lobbied to be part of the policy implementation process to defend their interests, by sitting on regional assessment panels for funding applications (TUC, 2009b, 4-5).

Not all unions were favourable to youth spending. For example, the spokesperson for the Rail and Maritime Transport Union did not universally support the extension of the youth scheme, preferring investment in the transport sector (BBC, 2009a). Finally, activist groups such as the youth group, Youth Fight for Jobs, who were supported by various unions, did not support the announcement of youth subsidies. Their lack of support was partially due to a lack of details for the scheme and demand for further investment (Groom, 2009).

Despite the lack of social partner influence, one interviewee did state there was some stakeholder influence that facilitated the policymaking process for the FJF. First, the voluntary and third sectors were influential as they stated they were able to support the unemployed (Interview DWP II, 2017, 55-57). Association of Chief Executives of Voluntary Organisations (ACEVO) published a report (ACEVO, 2012).⁶⁶ Moreover, local government efficiently lobbied for additional funding (Interview DWP II, 2017, 55-57).

8.6.7. Institutional effects

I have already ascertained power concentration from Britain's parliamentary system allowed the government to act freely and adopt their preferred strategy during the crisis. In addition, youth unemployment became a highly visible issue during the recession. Political opponents used this visibility to hold the government accountable for the situation. This was particularly important for Labour as youth was a key electoral promise when they gained power in 1997. However, another institutional factor, fiscal constraints, could have impeded the government's ability to act. Moreover, despite competing logics of action,

⁶⁶ Although published in 2012, the interviewee stated the third and voluntary sectors signalled their ability to implement government policies to train and support the unemployed during the crisis (Interview DWP II, 2017, 55-57).

the Labour government did have priorities towards cost-containment and recommodification.

The Labour government adopted a fiscally interventionist stance throughout the crisis and recession. Nevertheless, spending was an important issue during the period under investigation. As previously mentioned, opposition parties made expenditures a policy issue throughout the period and used it as a point of debate in parliament and the media. Moreover, the DWP was required to justify their youth employment schemes with the Treasury Department. It did so by defending the cost-effectiveness of the program using previous policy evaluations. A DWP official stated it was relatively easy to get the Treasury Department to accept funding for additional advisors as it was evidence-based (Interview DWP I, 2017, 34). It was more challenging to secure financing for the FJF, despite the fact it was a smaller investment, because evidence for the scheme was less robust (Interview DWP I, 2017, 35).⁶⁷ Thus, process-tracing provides evidence that policy learning and political priorities could be used to overcome existing financial constraints.

In addition, the Labour government maintained a timeline for reducing the deficit. Opposition parties, particularly the Conservative party, made debt a critical political issue. As explained above, the DWP was required to defend its policies with the Treasury Department. This demonstrates that, despite increased spending, the sustainability of public finances was a concern. Political support for the schemes helped this phase. In other words, although there were requirements to justify the policy cost, the government was able to use its power to adopt the policy. In the feedback effect framework in Figure 2.3, the institutional characteristics in the UK played a significant role.

Even if the instrument of job subsidies is a departure for Labour, the policies adopted during this period do maintain their workfare logic of action. While the YPG and FJF are not cost-cutting measures, they do follow a recommodification reasoning, meaning I cannot refute H_{3.2}. Precisely, the underlying function of the Labour government's youth employment schemes is to provide temporary help to youth with the objective of integrating them into the labour market. Rather than leave the flexible labour market responsible for job creation, the government actively created employment.

I conclude that fiscal constraints were an additional factor in the policymaking process, but they did not impede the policymaking process for employment subsidy incentives.

⁶⁷ In addition, demand-side subsidies were not added to an existing framework, which made policy implementation more complex (Interview DWP I, 2017 29).

8.6.8. Conclusion

Process-tracing of the policymaking for the Young Person's Guarantee and Future Jobs Fund indicates that all three analytical frameworks are necessary to comprehend this policymaking process with interest and institutions being critical factors.

First, partisan preferences are important. This is because evidence shows the choice of job subsidies was a political decision. Additional factors in the choice of policy solution are the salience of youth unemployment and the fact the Labour party had made this issue an essential component of its New Labour identity. Social partners did communicate their policy interests and preferences. That being said, they had no formal role in the process, and there is no evidence they were influential.

Second, the government's ability to adopt its preferred policy solution was affected by the UK's parliamentary system which generally leads to high power concentration. The configuration of parliament therefore allowed the government to adopt its preferred policies with few obstacles. For instance, even though financial constraints slowed the policymaking process and the government was scrutinized for its spending, the policy was quickly adopted. As mentioned, power concentration also made the government accountable for rising youth unemployment and previous Labour policy promises reinforced this accountability.

Third, there are cognitive aspects of the policy-making process in this case. For instance, the Department of Work and Pensions had prior experience with recessions and used that knowledge in their response to the financial crisis. Academics also attempted to affect the policymaking process by presenting their proposals, partially influenced by a report from the OECD. However, the findings do not show that the policymaking process for the YPG and FJF obeyed the policy learning framework as there isn't evidence of an evaluation of policy alternatives.

8.7 The Conservative-Liberal Democrat Government

The Conservative-Liberal Democrat Coalition government (hereafter Coalition government) abolished the previous government's policies and replaced them policies from their party manifestos to reduce welfare dependency and reform welfare-to-work. Despite these changes, the Coalition government adopted a similar incentive mix to the previous government: increased labour search incentives, job subsidies, employment services and some upskilling incentives. This is visible in Table 8.5.

Upon gaining office, the Coalition government halted the previous government's youth employment scheme, the FJF and implemented a series of reforms and programs. First,

Table 8.5: Conservative-Liberal-Democrat Coalition

Labour Market Lever		Incentive Mechanism			
		Negative Financial Incentives	Positive Financial Incentives	Organizational Human Capital Incentives	Concrete Human Capital Incentives
Demand-Side	I	II	III	V	VII
	<i>Incentives to encourage employment</i>	<i>Subsidized employment</i> Youth Contract: Wage incentives, apprenticeship subsidies	<i>Administrative Services</i>	<i>Company Training</i>	
Supply-Side	II	IV	VI	VIII	
	<i>Increased labour search incentives</i> Youth Contract: Work experience ^a Work Programme: Mandatory for 18-24 Universal Credit Minimal qualifications for 18-21-year-olds	<i>Fiscal incentives</i>	<i>Employment Services</i> Youth Contract: additional advisor support Work Programme: additional advisor support	<i>Upskilling</i> Youth Contract: Work academy places, Work experience Traineeships	

^a Initially this scheme was mandatory and benefits were cut for non-compliance, it was later changed so that only gross misconduct could lead to sanctions.

the government adopted welfare reforms including the Work Programme and the Universal Credit (DWP, 2010d). Both of which affect how 18 to 24-year-olds receive benefits. Second, in response to rising youth unemployment rates, the Coalition government adopted a series of initiatives for 16 to 24-year-old youth under the Youth Contract. I divide the policies adopted under the Coalition government into two sections according to whether the measures are structural reforms or temporary schemes.

8.7.1. Welfare and education reforms

In May 2010, the Coalition government announced it would replace existing welfare-to-work programs, including the New Deal for Young People and the Flexible New Deal, with the Work Programme which began implementation in 2011. The Work Programme is not specifically a youth policy. That being said, 18 to 24-year-olds are among the beneficiaries.

Under the Work Programme, youth between the ages of 18 to 24 are required to participate after nine-months on the JSA (DWP, 2012c, 6). The program lasts for up to two years, and claimants are expected to be in activity or training with sanctions for non-compliance (HM Government, 2013c). In addition, Work Programme beneficiaries must meet with advisors regularly. The new program operates through outcome-based contracts to third party service providers, with funding allocated based on how long the beneficiary remains in work after the program (DWP, 2012c, 4). The policy also includes initiatives, such as the Work Experience Programme, to specifically target youth.

Work Experience is meant to match youth between the ages of 18 to 24 with employers for work short placements of two to eight-weeks (DWP, 2011a). However, youth must also continue to look for work while they participate. The policy was initially part of the Work Programme, but it was later incorporated into the Youth Contract (explained below). The Work Programme contains increased labour search incentives as it is mandatory and sanc-

tions apply for non-participation. It also includes employment services incentives.

Announced in 2010 and adopted in 2013, the Universal Credit continues welfare reform by merging six existing benefits – including the JSA – into a single credit that is graduated based on income (DWP, 2010a; HM Government, 2017b). Also, the Universal Credit is meant to modify incentives and encourage work (DWP, 2010d, Chapter 3). The Universal Credit represents a significant change in the provision of benefits. But, it does not explicitly target youth. I include it here as increased labour search incentives because benefits for youth remain lower than for those over the age of 25 or with dependents (DWP, 2010d, 18). That is to say youth over the age of 18 may still qualify for benefits but have additional negative financial incentives to enter the workforce.

The Coalition government also modified education policy during this period. Upon announcing that the FJF would be frozen, the government increased apprenticeship targets by 50,000 places. The Minister of Education additionally commissioned two independent reports during the period. First, a report on how to improve VET, specifically for 14 to 19-year-olds (HM Government, 2010g).⁶⁸ Second, a 2012 report on apprenticeships.⁶⁹ While not specifically activation incentives, the Coalition government made a series of education reforms including the 2011 Academies Act and the 2011 Education Act. The former provides more autonomy to publicly-funded schools. The latter affects students 16 and over by modifying curriculum and increasing tuition fees for higher education. The Education Act also alters the previous government’s guarantee of an apprenticeship so that the government shall “make reasonable efforts to ensure employers participate in Apprenticeship training” (Mirza-Davies, 2015a, 3). As mentioned, apprenticeships increased during this period. However, most apprenticeships were for individuals over the age of 25. There was an approximately 3% increase in apprenticeships for individuals 19 and under and a 40% increase for 18 to 24-year-olds (Mirza-Davies, 2015a, 4).⁷⁰

8.7.2. Youth schemes

The Coalition government did not immediately adopt youth unemployment policies. Instead, they made a series of announcements between the spring and fall of 2011. In May 2011, David Cameron and Nick Clegg announced they would help young people to work under “Supporting Youth Employment” (2011h). This announcement included education and welfare reform as well as enhanced coordination with various actors. Additionally, the government created an Innovation Fund to target disadvantaged youth ages 14 and

⁶⁸ Known as the Wolf Report.

⁶⁹ Known as the Richard Review.

⁷⁰ These figures are for England only as apprenticeships are devolved.

up (DWP, 2011b). The Coalition government's measures for youth eventually came to be known as "Get Britain Working".

Within this framework, the government set out a plan to target 16 to 24-year-old NEET called "Building Engagement, Building Futures" in 2011 (HM Government, 2011c). The policy is a joint strategy for school, VET and welfare reform.⁷¹ The government also created a Traineeship Programme in 2013 to enhance soft skills for 18 to 24-year-olds so they could eventually enter an apprenticeship (HM Government, 2016; Mirza-Davies, 2015a, 10). Traineeships include employment services incentives to improve the matching process. They additionally contain upskilling for those furthest from employment. Despite multiple announcements for youth initiatives, the majority of them can be grouped under the Youth Contract.

The Youth Contract is a series of initiatives delivered by the DWP, DfE and BIS. It allocates up to £1 billion in funding for new and existing schemes targeted at various youth cohorts (Mirza-Davies, 2015c; DWP, 2012b, 7). The policy operates through Work Programme, Jobcentre Plus and Sector-Based Work Academy funding by funding employers to hiring youth or as apprentices (HM Government, 2011m). Once again, different policy measures target different age cohorts.

Measures for 16 to 17-year-olds target NEET and maintain the previous government's initiatives to ensure these youth remain in education for as long as possible and can participate in apprenticeships.⁷² The Youth Contract dedicates £150 million towards increased support for 16 to 17-year-old NEET (HM Government, 2011j). The Coalition government also extended and expanded the Apprenticeship Grant for Employers (AGE). This extension affects 16 to 24-year-olds and is paid directly to SME, meaning it is a subsidized employment incentive (BIS, 2013; Mirza-Davies, 2015a, 7).⁷³

The Youth Contract partially operates through the Work Programme by providing work experience and wage incentives for employers to hire 18 to 24-year-olds (DWP, 2012b, 7). Although intended as an upskilling incentive, Work Experience also acts as an increased incentive for labour search. Initially, the scheme was mandatory with youth volunteering for up to eight weeks to maintain their benefits (Dar, 2015).⁷⁴ It later became voluntary,

⁷¹ The strategy contains five primary objectives: skills attainment; coordinating services for youth with local partners; incentives for employers to hire youth; making work pay and providing personalized support via the Universal Credit, the Work Programme and Get Britain Working as well as the Youth Contract (HM Government, 2011b, 5).

⁷² While 16 to 17-year-olds may receive help under the Youth Contract; it varies widely according to the discretion of the advisor (HM Government, 2011m, 34-35).

⁷³ In 2013 there were further modifications to apprenticeships with the goal of improving programmatic and student quality (DG EMPL, 2017b).

⁷⁴ The volunteering experiences did not necessarily provide transferable skills, and there was much debate on this issue

and youth must continue to search for work while enrolled in the program. Wage incentives represent roughly a third of Youth Contract spending (DWP, 2012b, 34). This is an employment subsidy.⁷⁵ In addition, the Youth Contract supports employment services through Jobcentre plus for 18 to 24-year-olds and creates additional Sector-based Work Academy Places.

Although the Coalition government attempted to distance itself from the previous government, these policies represent continuity with the existing initiatives. Much like the Young Person's Guarantee, the Youth Contract is a three-year program with multiple initiatives. It is a mutual obligations policy meant to create apprenticeships and work placements for NEET and unemployed youth (HM Government, 2011m). The government's stated strategy was for youth to be "earning or learning" (HM Government, 2011m). The Youth Contract also includes subsidized employment incentives and elements of employment services through reinforced PES support (DG EMPL, 2017b; Sage, 2016, 10).⁷⁶

Finally, in 2014 following a review of VET, Deputy Prime Minister Nick Clegg announced modifications to the Coalition government's youth policy (HM Government, 2014). Changes included more career guidance for youth and developing a Universities and Colleges Admissions Service. Additionally, the government started testing a pilot to provide 16 and 17-year-olds jobs services through Jobcentre Plus as well as another pilot to provide support for 18 to 21-year-olds. Crucially, 18 to 21-year-olds without the requisite minimum qualifications in English and math would be obligated to get the qualifications or lose JSA benefits. These modifications include employment services and increased labour search incentives.

8.8 Theory Testing and Narrative

In this section, I analyze the policymaking process during the period, with a particular focus on the Work Programme and the Youth Contract. These policies are chosen because they were intimately linked with youth unemployment. First, the Coalition government stated the Work Programme replaced the need for the Future Jobs Fund (FJF). Second, the Youth Contract was put in place to respond to rising youth unemployment.

8.8.1. *Issue salience and power concentration*

I have already determined that youth unemployment was a salient policy issue during the previous period. Issue salience is again analyzed in this period by looking at party

(HM Government, 2012c).

⁷⁵ Wages incentives stopped on 6 August 2014 (DWP, 2014).

⁷⁶ The Coalition government also adhered to the European Union's recommendation of a Youth Guarantee during this period. Despite this, they have not published their implementation plan. According to a recent EU assessment, the Youth Contract remains the UK's primary youth guarantee (DG EMPL, 2016, 6).

manifestos during the 2010 election.

Contrary to 2005, the three main political parties did make promises for youth employment as well as education. Labour maintained its existing promises regarding FJF funding as well as education and apprenticeship reform (Labour Party, 2010, 2:2). The Conservative party manifesto promises to abolish the Labour government's employment schemes and to create a new project called "Get Britain Working Again" (Conservative Party, 2010, 15).⁷⁷ It also promises to improve skills and education, notably by funding apprenticeships (Conservative Party, 2010, 16). The Liberal-Democratic party manifesto states it will create a work placement scheme for youth and invest in education and apprenticeships (Liberal-Democrat Party, 2010, 14, 39). These electoral promises are evidence that youth issues, especially employment, remained salient during the election.

Party manifestos also demonstrate the incoming government was dissatisfied with the policy status quo. The main points of contention for youth employment policies were government spending and benefit conditionality. For example, despite promises by Conservative and Liberal-Democrat politicians that they would not cancel the FJF,⁷⁸ the Coalition government abolished it in May 2010. The government justified its decision by the spending deficit and by advice from the DWP on the schemes cost-effectiveness (DWP, 2010c, 17; House of Commons, 2011b, 3; HM Government, 2011l).⁷⁹

Despite the salience of youth issues, the Coalition government did not initially intend to replace the FJF with another subsidized employment scheme.⁸⁰ Instead, in accordance with Conservative manifesto promises,⁸¹ it introduced a new welfare-to-work scheme. The Coalition government confirmed this Conservative party priority when it published its five-year program which included the announcement that the Work Programme would replace all welfare-to-work schemes (HM Government, 2010h, 23).⁸²

⁷⁷ Under their proposal, a work program will replace Labour's policies and focus on the private and voluntary sectors; be payment-by-results; work-oriented; and have sanctions for non-compliance.

⁷⁸ In March 2010, David Cameron stated there were "no plans to change existing Future Jobs Fund commitments" (Eaton, 2013). In April 2010, Steve Webb Liberal-Democrat spokesman for the DWP wrote "We have no plans to change or reduce existing commitment to the Future Jobs Fund, We believe more help is needed for young people, not less." (HM Government, 2011l, col. 1011).

⁷⁹ "The factor driving the decision was the high cost of the Fund. According to the Coalition government, the FJF was identified as an area where savings could be made while maintaining the support available to young people." (House of Commons, 2011b, 3). The Conservative party manifesto states they "will cut wasteful government spending to bring the deficit down and restore stability" (Conservative Party, 2010, 7).

⁸⁰ As the Queen's Speech indicates, two priorities with the potential to affect youth employment were reducing the deficit and reforming welfare to increase work incentives (HM Government, 2010b). Priorities for education included increasing the number of academies and allowing more discretion for teachers (HM Government, 2010b).

⁸¹ In addition the Conservative party made the promise to "reduce youth unemployment and reduce the number of children in workless households as part of our strategy for tackling poverty and inequality" under their Get Britain Working Strategy and to "scrap Labour's failing employment schemes and to create a single work program for everyone who is unemployed" (Conservative Party, 2010, 8, 15).

⁸² The Youth Contract is not included in the program. It was announced as a response to rising youth unemployment

Due to the nature of the UK parliamentary system, the government was able to impose its policy preferences without significant interference from other actors. This is not to say there were no attempts by actors to influence the debate. There were inquiries into the cancellation of the FJF and the Work Programme. Youth unemployment was also debated in the media and parliament, notably with the Labour party introducing opposition motions. Nonetheless, these actions had minimal impact on policy orientation. For example, an inquiry into youth unemployment and the FJF was launched by the DWP Committee in July of 2010. It included written and oral evidence from a diverse set of actors. In response to the inquiry's questions and recommendations, the Coalition government outlined their priorities for youth with the overall objective being to maintain their reform agenda and to ensure that youth gain work experience and the skills to join the labour market (House of Commons, 2011b, 1).⁸³

8.8.2. *Ideas behind the Work Programme*

The Work Programme is a Conservative manifesto proposal for welfare-to-work designed to integrate multiple “customer groups” including 18 to 24-year-olds.⁸⁴ It is meant to address “creaming and parking”, otherwise understood as concentrating resources on those closest to and neglecting those furthest from the labour market (DWP, 2011c, 8). The program also changes the funding of welfare-to-work, extends the maximum duration of employment, and creates more private employment. Finally, it adopts a “black box” approach to service provision⁸⁵ as well as payment by results. Despite these reforms, the program maintains a similar logic of action as welfare-to-work programs under the Labour government. Precisely, although a Conservative manifesto promise, the ideas for the reform come from welfare-to-work policies in the UK, ideas within the Conservative party and from workfare abroad.

The Work Programme has been described as an “acceleration of the direction of travel of the previous government’s policies” (DWP, 2011c, 6, 10). This is because the program continues many elements found in the Flexible New Deal and existing policy reports. To illustrate, the Work Programme integrates multiple recommendations from a 2007 report monitoring the progress since Labour’s 1997 welfare reforms (Freud). David Freud, the author of the independent report, was a Labour expert advisor for welfare reform at the

rates in November 2011.

⁸³ The government stated it would provide support for youth through Jobcentre Plus from day one of their claim, fund employment-focused training for youth with a skills gap, and that 18 to 24-year-olds not yet in employment after nine months would receive support through the Work Programme (House of Commons, 2011b, 1). In addition, the government agreed to an independent evaluation of the FJF (House of Commons, 2011b).

⁸⁴ An interviewee at the DWP confirmed that the Conservative manifesto included details for a welfare-to-work program that eventually became the Work Programme.

⁸⁵ Meaning they would allow service providers full discretion on the services provided.

time. He later became a Conservative advisor in 2010 and Minister for Welfare Reform under the Coalition government. An interviewee explained Freud did not play a large role in the welfare-to-work reform and focused mainly on the Universal Credit (Interview DWP II, 2017, 58). Despite this, many of his propositions are in the Work Programme. For example, the Work Programme includes a new payment method via future expenditures (the value of money saved from potential future interventions). Additionally, the program adopts a black box approach to welfare-to-work service provision (Freud, 2007; Morgan, 2009, 5). The notion of paying private and voluntary-sector service providers according to intervention results, which was tested with Labour's Employment Zones, is also in the report (Freud, 2007, 51; DWP, 2006 9).⁸⁶

A G20 policy brief prepared by the ILO and OECD claims the most significant shift in UK welfare policy created by the Work Programme is increased privatization (G20, 2011, 1). Nevertheless, this too is not wholly a break from the previous policy as the Labour government encouraged private and third-sector providers in the Flexible New Deal (Morgan, 2009, 5). In this way, the Work Programme builds upon existing knowledge within the DWP from previous welfare-to-work schemes.

In addition to being influenced by previous workfare schemes, the notions behind the Work Programme are in Conservative party documents since 2008 (Conservative Party, 2008, 2009). Iain Duncan Smith, former Conservative party leader and Secretary of State for the DWP during the Coalition government, has long expressed his desire for welfare reform both in public forums and within a think tank he founded called the Centre for Social Justice (CSJ).⁸⁷ Although Smith and the CSJ undoubtedly provided ideational influence for welfare-to-work reform, Smith's chief reform priority during the 2010-2015 government was the Universal Credit. The government actor responsible for welfare-to-work reform was Chris Grayling, Minister of State for the DWP from 2010 to 2012. He is also credited as having helped write the Work Programme (Interview DWP I, 2017, 31; Interview DWP II, 2017, 58).

Evidence shows policy evaluations from abroad were an influence on the Coalition government. These influences include welfare-to-work program evaluations from Australia, Canada, Germany and the Netherlands as well as other parts of the United States (Freud, 2007; Morgan, 2009; Crisp and Roy, 2008). At a 2007 Conservative conference, David

⁸⁶ David Freud's influence also extends to welfare reform. For example, the 2007 report considered the benefits of creating a single system as later found in the Universal Credit (Freud, 2007, 104).

⁸⁷ For example, the Universal Credit was a proposal by the CSJ in 2009 (CSJ, 2009). Stephen Brien, chair of the CSJ later became an expert advisor to Smith while he was Secretary of State for the DWP.

Cameron cited both Australia and the United States, specifically Wisconsin, as sources of inspiration for reducing poverty through welfare-to-work schemes (Cameron, 2007).⁸⁸ Labour was influenced by these countries as well. For example, former Secretary of State for the DWP James Purnell writes about Labour's inspiration from the Wisconsin model (Purnell, 2010). Influence from the United States is also found in the DWP's inquiry into contracting arrangements for the Work Programme. The DWP Committee visited programs in Wisconsin and New York to evaluate them as alternatives.⁸⁹

There is little evidence of direct ideational influence from either the OECD or the EU for the Work Programme. A civil servant at the DfE indicated that funding from European Social Fund (ESF) might have helped drive post-crisis initiatives for NEET (Interview DfE, 2017, 17). The ESF provided two-thirds of funding rather than the regular one half, which encouraged policymakers to adopt policies. When a civil servant with knowledge of ESF funding was asked about EU influence, he stated the Work Programme was designed with ESF funding in mind, but ultimately this did not work (Interview DWP II, 2017, 62). Moreover, there is evidence that EU regulations on state aid were perceived as a hindrance to private employment. The DWP Committee noted this in both its FJF and Work Programme inquiries (House of Commons, 2011b, 5). However, on both occasions, the government did not act to reduce private employer confusion (House of Commons, 2011b, 5). EU regulations may, therefore, have indirectly affected youth employment program implementation.

Elements of ideational influence aside, policymaking for the Work Programme does not necessarily draw lessons from previous experiences and evaluations. An example comes from a 2008 DWP commissioned report analyzing the most recent evidence from workfare schemes in the United States, Canada and Australia (Crisp and Roy). Much of the evidence found in this report is not followed in the Work Programme. Perhaps most significant for youth unemployment in the 2010 to 2015 period, the report finds that “**Workfare is least effective in getting people into jobs in weak labour markets** where unemployment

⁸⁸ Cameron stated: “We should look at the models that have worked elsewhere in the world. In Australia where they have got private limited companies to run benefits and they have cut unemployment by 50%. In states like Wisconsin in America where they've cut benefit roles by 80%, and the changes we will make are these: we will say to people that if you are offered a job and it's a fair job and one that you can do and you refuse it you shouldn't get any welfare. And we will ask the charities, the voluntary bodies, the private companies who have such expertise in this area to run these benefit systems for us, why do I think they are better? I think they show a greater understanding of the personal and emotional needs of people who have been stuck out of work for so long. It has worked in other parts of the world, it can work here, it's a tough choice, it's a difficult thing to put through, but we have got to do it.”

⁸⁹ In one example of learning from abroad, the DWP visited the Wisconsin welfare-to-work program, Wisconsin Works. The DWP inquiry also draws on previous evidence and analyses of the Wisconsin Works program and is used to justify elements of the Work Programme such as incentives for employers and what degree of discretion to allow for service provision (DWP, 2011c, 12, 29). In these instances, there is an active evaluation of why a policy would or would not function.

is high”⁹⁰ and for those “with multiple barriers to work” (Crisp and Roy, 2008, 1-2).⁹¹ The interaction between cognitive and partisan factors are explained in the next section.

8.8.3. Policy learning and political influence

Even though the Work Programme was a political promise, the policy was partially influenced by policy learning. An interviewee at the DWP stated the civil service always tries to add its institutional knowledge to party manifesto projects (Interview DWP I, 2017). The policymaking process for the Work Programme supports this to the extent it builds on existing knowledge from previous programs and from learning from abroad.

The DWP Committee ordered two inquiries into the Work Programme. One in October 2010 for providers and contracting arrangements (2011c), and one in November 2012 on different user group experiences (2012a). These inquiries demonstrate that, although the policy was a Conservative electoral promise, the DWP Committee (which includes members from different parties) sought to influence the policymaking process by consulting with a broad group of sources in written and oral evidence with the goal of evaluating policy alternatives. This evaluation occurred while the policy was being adopted and implemented. The inquiry documents also provide evidence of learning from previous policies including the New Deal programs, the FND and the Pathways to Work program (DWP, 2011c, 18). That being said, there is little evidence the inquiry affected policymaking. Whereas the DWP Committee provided its final report on providers and contracting arrangements in April 2010, the Work Programme began operating in June of 2011. Moreover, the government did not state it would significantly alter the policy in its response to the inquiry. Instead, it noted the DWP’s concerns and commissioned an independent investigation (House of Commons, 2011a).

The DWP Committee inquiries provide further evidence that opportunities for learning were not seized. For example, the inquiry for the Work Programme warns many of the ideas incorporated into the program have not been fully tested (DWP, 2011c, 10).⁹² In

⁹⁰ Bold original.

⁹¹ Another example of a failure to learn from policy evaluations abroad comes from job subsidies. The DWP Committee Inquiry report and a 2007 DWP independent investigation state job subsidies in the form of intermediate labour markets (ILM) can be a potentially cost-effective solution for youth furthest from the labour market and may increase employability (Crisp and Roy, 2008, 1; DWP, 2011c, 12). Although service providers may choose to adopt these types of services, the report explains that learning from the FJF demonstrates that EU regulations were a barrier to private job creation. It, therefore, recommends “the Government produce straightforward guidance on how intermediate labour markets may be used within the Work Programme in a way which is compliant with state aid rules” (DWP, 2011c, 13). The government’s response was to state that any prescription on their part of toward service providers would negate the black box approach (House of Commons, 2011a, 3).

⁹² The DWP report warns that multiple provisions in the Work Programme are untested and there are “risks and uncertainties” associated with the new scheme (DWP, 2011c, 56). Rather than evaluate these alternatives before implementing the policy, the Coalition government opted to commission an independent policy evaluation (House of Commons, 2011a, 2). A later evaluation of the experience of different user groups demonstrates that many of the DWP’s initial warnings were founded (DWP, 2012a). Moreover, despite multiple concerns voiced by actors in the DWP

addition, the Coalition government stopped existing programs that could have provided knowledge on the adequacy of new measures such as financing (DWP, 2011c, 28). Figure 2.1 representing the ideational framework, explains the adaptation process is crucial for learning to take place. In the case of the Work Programme, the evaluation of ideas and alternatives was affected by factors within the national subsystem. Here, partisan preferences toward private job creation and reducing costs were significant factors. Additionally, the timetable for adopting the policy followed political imperatives rather than the necessary cognitive ones that would have allowed for a full evaluation of the options. This was confirmed by a civil servant at the DWP who stated that assessments would have slowed down the process and the Conservative members of the Coalition were especially keen to implement the policy as rapidly as possible (Interview DWP I, 2017, 31).

8.8.4. Actor and institutional influence

The policymaking process for the Work Programme was rapid with the policy being adopted and rolled out in just over a year. Evidence shows many decisions were the result of a political timetable rather than a cognitive process. One interviewee explained that Chris Grayling was committed to implementing the program as quickly as possible (Interview DWP I, 2017, 31). This decision meant that concessions were made and that policy evaluation comparing the effectiveness of the Work Programme in pilot schemes before full implementation was not possible.

The Coalition government did consult with stakeholders, especially businesses, throughout the policymaking process. In early July of 2010, both Grayling and Freud made speeches on the Work Programme in which they explained they were working closely with the Employment Related Services Association (ERSA) and the Confederation of British Industry (CBI), two leading business organizations (Freud, 2010; Grayling, 2010). They also stated they would discuss with industry throughout the process by holding roundtables (Freud, 2010). In addition, the DWP had two informal calls for evidence. First, a consultation with suppliers from 19 July 2010 to 13 August 2010 (HM Government, 2013b). Second, an online forum on the Work Programme from 16 September 2010 to 20 October 2010 (HM Government, 2013a). The government does seem to have prioritized private service providers. For example, although the public and voluntary-sectors had more experience, 15 out of the 18 contracts were awarded to private businesses (DWP, 2011c, 16).⁹³

Committee inquiry, many of the elements of the policy were not changed before the rollout. This led to implementation issues.

⁹³ Throughout the bidding process both the DWP Committee and deputies expressed concerns about private sector bidding, and the loss of voluntary-sector organizations were voiced in parliament multiple times (DWP, 2011c, 17). In response the government stated it had modified the contracting process to include safeguards (House of Commons, 2011a, 4).

Although the DWP Committee inquiry includes evidence from numerous stakeholders, very few of them work directly with youth or represent youth interests. Nevertheless, I find two concerns regarding youth. First, some worried there would be a gap in the provision of services between the end of the existing welfare-to-work programs and schemes and the start of the Work Programme (DWP, 2011c, 51, Ev 22). Second, stakeholders questioned whether there would be sufficient incentives for service providers to work with youth as they are known to be among the most difficult to reach groups (DWP, 2011c, 24, Ev 19-Ev 25, Ev 61). The government altered the policy in response to the Committee's concern of bridging service provision between programs. Chris Grayling wrote that they would change the provision to extend referrals to welfare-to-work programs, including those affecting youth, to ensure there was no gap (DWP, 2011c, Ev 84; House of Commons, 2011a, 15-16). There was, however, no change in incentives to provide services for hard to reach groups. The government responded the "Department believes the right incentives are in place" (House of Commons, 2011a, 7).

There is evidence one element of the welfare-to-work youth scheme was modified due to public outcry. In February 2012, the government clarified the Work Experience element of the Work Programme (and later Youth Contract) was voluntary (Dar, 2015, 4). According to official government documents and an interview with the DWP, the Work Programme was initially mandatory due to miscommunication between Grayling and DWP (Dar, 2015, 4; Interview DWP I, 2017, 37). This part of the scheme received enormous media attention as Work Experience participants sued the state for "forced labour" under the scheme (Malik, 2013).⁹⁴

Youth unemployment and the cancellation of the FJF were also debated in parliament multiple times concerning the Work Programme.⁹⁵ Nevertheless, the main sources of criticism and concern for the Work Programme related to individuals with disabilities and changes in service provision. Critiques notwithstanding, the Coalition government maintained the same stance throughout 2010 and most of 2011: the "Work Programme is the best way to help young people – indeed all people – back into work" (HM Government, 2011e, col. 1028). Findings also show skills were a concern for stakeholders. However, this was not necessarily the main line of conflict for this policy as the government states skills

⁹⁴ An interviewee explained that Work Experience was not a new measure and had existed under the New Deals and the Flexible New Deal. However, sanctions and miscommunication were an issue for this policy during the Coalition government (Interview DWP II, 2017, 62).

⁹⁵ The issue of transitional arrangements from the YPG to the Work Programme was also debated multiple times by the DWP Committee (House of Commons, 2011b, 8). The Committee singles out youth as particularly vulnerable: "The cancellation of the FJF has also coincided with increased levels of unemployment amongst young people. It is therefore essential that addressing youth unemployment is given appropriate prominence within the Government's welfare-to-work policies" (House of Commons, 2011b, 8).

are part of the England Skills Strategy and not welfare-to-work programs.

Finally, cost-containment was an important factor in the policymaking process for the Work Programme. Welfare reform during this period, including the Universal Credit, is justified as necessary to cut costs in the 2010 Emergency Budget (HM Government, 2010a). Conservative MPs also stated multiple times in parliament that their schemes were more cost-effective than Labour's.⁹⁶ For example, part of the welfare-to-work reform's objectives was to cut costs by reassessing individuals on Incapacity Benefits to determine whether or not they were fit for work as well as creating measures to detect benefit fraud.

8.8.5. *The Youth Contract*

Rising youth unemployment did not alter the Coalition government's legislative agenda or the Work Programme.⁹⁷ Instead, the Coalition government created additional schemes including the Youth Contract in late 2011.

The Youth Contract is a cross-departmental scheme involving the DWP, DfE, the Department of Business Innovation and Skills (BIS) and Executive Agencies within the government. The "broad objective of the Youth Contract is to make young people more appealing to employers looking to recruit" (DWP, 2012b, 8). The scheme was meant to provide 410,000 workplaces for 18 to 24-year-olds, 160,000 of which were to come in the form of employment subsidies.⁹⁸

8.8.6. *Issue visibility*

The Coalition government first signalled its focus on youth by publishing a document outlining its approach to youth employment as well as announcing funding for apprenticeships and the creation of an Innovation Fund (HM Government, 2011d,h). Although the document detailing the government's youth strategy includes five priorities, the Youth Contract is not one of them. Before introducing new measures, members of the Coalition government repeatedly sought to distance themselves from youth unemployment by shifting the

⁹⁶ For example, Chief Secretary to the Treasury, Danny Alexander, said: "Well, there is no money left. The more important point is that we are cancelling programmes that we believe are ineffective and replacing them with the Work Programme, which will start during next year and will be more effective at helping people who need help to get back into work quickly [...] What I know is that according to the Department for Work and Pensions the programme provides poor value for money, and that the Work Programme with which we will replace it next year will give better, more targeted, quicker and more effective support to the people who are most in need." (HM Government, 2010f, col. 1052, 1054).

⁹⁷ David Cameron confirmed the Coalition's legislative agenda when outlined the government's strategy for addressing youth unemployment in late November 2011 as being education reform, welfare reform and to increase apprenticeships (HM Government, 2011f, col. 228). Furthermore, during a debate on youth unemployment in late June 2011, Chris Grayling stated that work experience placements, work academies, apprenticeships, and the Work Programme, as well as the creation of the Innovation Fund, were the means for addressing these issues (HM Government, 2011i, 93WH-94Wh).

⁹⁸ The Youth Contract ended a month earlier than initially planned (FT, 2014; Bloor, 2014). Policy evaluations of the Youth Contract demonstrate that fewer wage subsidies were created than expected (Wintour, 2013).

blame to the previous government and the financial crisis.⁹⁹ Deputy Prime Minister Nick Clegg and Minister of State for the DWP Chris Grayling announced the Youth Contract five months later on November 25, 2011 (HM Government, 2011n).¹⁰⁰

The Youth Contract was not an electoral promise as neither the Conservative nor the Liberal-Democrat manifestos include a youth subsidy scheme. The Liberal-Democrat party manifesto does, however, state it:

“will create hundreds of thousands of opportunities for young people affected by the recession. A work placement scheme with up to 800,000 places will ensure that young people have the opportunity to gain skills, qualifications and work experience even if they can’t find a job. Young people on the scheme would be paid £55 a week for up to three months”

(Liberal-Democrat Party, 2010, 14). During this period, the Labour party proposed a Real Jobs Guarantee funded through banker’s bonuses (BBC, 2012).¹⁰¹ Although Labour MPs often debated youth unemployment in parliament, they had no means of instituting their policy while in opposition.

8.8.7. Ideational and preference alignment

Ideational influences for the Youth Contract are less clear than those for the Work Programme. As with the wage subsidy incentives in the FJF, evidence of policy learning is limited. Instead, the Youth Contract was affected by political factors. First, the heightened visibility of youth unemployment made the issue salient. In the context of the UK Parliament, this made the Coalition government accountable for this problem. Second, political preferences within the Coalition government affected the composition of the scheme. The Liberal-Democratic party wanted to invest in programs to attack the issue of youth unemployment, and the Conservative party maintained its priorities towards business interests.

In what has been described as a “Conservative flavoured” coalition, the Youth Contract was meant to be a point of concession to the Liberal-Democratic party (Interview DWP

⁹⁹ An example of this is David Cameron during a question period in which he states: “Clearly, we face a difficult situation in terms of youth unemployment. Let us be clear that the situation was getting worse during the economic good times, and there was a 40% increase in youth unemployment over the time of the previous Government” (HM Government, 2011g, col. 355). Another example can be found in the Supporting Youth Employment report that states “This is not a new problem. It has been years in the making. The recession has certainly made things worse but many of the barriers that prevent our young people from getting a job are long term” (HM Government, 2011h, 3).

¹⁰⁰ The Youth Contract was then outlined in the 2011 pre-budget report in which Chancellor of the Exchequer, George Osborne confirms the initiative and underlines its contractual and mandatory nature (HM Government, 2011a, col. 809).

¹⁰¹ Similar to the FJF, the Real Jobs Guarantee would be mandatory and provide 25 hours of work a week at a wage. However, it would operate through the Work Programme.

I, 2017, 31; Interview DWP II, 2017, 59-60). Interviewees state the Liberal-Democratic party wanted to act on youth employment and, although never entirely used, a large sum of money was put aside for the Youth Contract (Interview DWP I, 36). This is partially explained as a means of regaining voter confidence after breaking a manifesto promise not to increase higher education tuition. According to interviews and reports, Liberal-Democrat party leader Nick Clegg was a key political actor in the policymaking process for the Youth Contract (The Times, 2011, Wintour, 2013; Interview McCabe, 2017, 49; Interview DWP I, 2017, 36). He jointly announced the scheme and made multiple media appearances to promote it.

As with the Young Person's Guarantee (YPG), the Youth Contract includes an employment subsidy incentive and additional advisor time (DWP, 2012b, Ev 86). That being said, the government sought to differentiate itself from Labour government policies, especially the FJF, by emphasizing employment outcomes and private sector employment.¹⁰² Whereas the FJF intended to "offer supported employment to young people who faced the greatest barriers to finding work", the wage incentive scheme in the Youth Contract is meant to "boost young people's chances of gaining employment in the private and voluntary sector" by encouraging employers to "give young people a chance" (DWP, 2012b, 36). An important component of the scheme, according to both coalition parties, was that employment is in the private sector and that these were not new jobs, but incentives for employers to consider hiring youth for existing jobs. Once again, employment subsidies were not actively recommended by the OECD (2012, 6).

The Coalition government consulted with employers, voluntary organizations, service providers and other stakeholders to create the Youth Contract (DWP, 2012b, Ev 119). Nevertheless, testimony from the DWP Committee Inquiry on Youth Unemployment and the Youth Contract provides evidence the government was more attentive to employer interests over other actors such as trade unions and voluntary organizations. According to oral testimony from Chris Grayling, the wage subsidy incentive was in direct response to employers asking the government to create an incentive structure for employers to invest in inexperienced youth (DWP, 2012b, Ev 86).¹⁰³ In addition, Grayling stated that "we had extensive discussion with organisations like the CBI [Confederation of British Industry], that this

¹⁰² The Youth Contract does, however, contain similarities with the wage subsidy element of the New Deal for Young People (NDYP) (DWP, 2012b, 7-8)

¹⁰³ Grayling stated: "the wage incentive really came in part from representations from different business groups, which were all basically saying 'Look, we want to do something about youth unemployment, but there is this cost challenge that, when you take on somebody without previous experience, you are putting significant effort in yourself. There is a financial cost and a time cost. What we would like to see is a wage incentive structure that recognized that'" (DWP, 2012b, Ev 86).

approach, which is very simple and unbureaucratic, had a chance of levelling the playing field” (DWP, 2012b, Ev 82). Evaluations by the DWP on the Youth Contract reiterate the notion that bureaucratic processes were a key concern for businesses (Jordan et al., 2013).

Despite consultations with business organizations, a civil servant at the DWP stated that businesses have low preferences for wage subsidies in the UK. The DWP expected this to be a challenge based on previous policies, and it was difficult to promote the Youth Contract with employers (Interview DWP I, 2017, 36). This finding demonstrates how, even though heads of employment organizations backed the scheme, the final form did not necessarily appeal to employers.¹⁰⁴

There is no evidence to suggest the EU exerted any ideational influence in the creation of the Youth Contract. The EU’s Youth Guarantee was adopted in 2013, *after* the Youth Contract, but the UK asserted the Youth Contract was its youth guarantee (DG EMPL, 2016, 6). EU regulations were, once again, an issue. During oral testimony for the Youth Unemployment and Youth Contract Inquiry, stakeholders stated that EU state aid rules might be an issue, but they expected to be exempted in this case (DWP, 2012b, Ev 21). The Head of the TUC’s Economic and Social Affairs Department stated that the EU had recommended wage subsidies as a counter-cyclical policy. This explanation was used as a means of defending the policy due to confusion over EU state aid regulations.

8.8.8. *Opportunity for policy learning and partisan preferences*

As with the Work Programme, the evidence demonstrates policymakers did not seize policy learning opportunities. An interviewee stated the DWP did not recommend the adoption of an employment subsidy scheme (Interview DWP II, 2017, 59-60). First, timing and adapting the policy to new policies were issues. The Work Programme had just been rolled out and the DWP was unsure how to adjust wage subsidies with the Work Programme’s black box approach. They specifically feared that it would create perverse

¹⁰⁴ In fact, DWP Committee testimony shows that although business organizations generally agreed with the scheme, they had varying needs and preferences. An internal survey within the CBI found that for approximately half of the respondents “a material offer to them would make them more likely to engage with this group”, which led the CBI to be optimistic about take-up rates for the scheme (DWP, 2012b, Ev 19). That being said, the survey does not specify the amount or form of the offer. In the same testimony, a Senior Policy Advisor for the Forum of Private Business stated that their members, all SME, would be satisfied with £1, 500 to £1, 600 (DWP, 2012b, Ev 20). However, they wanted to be paid in instalments whereas the Youth Contract provides payment at the end of the work period. Moreover, those questions were uncertain whether wage incentives would be sufficient to reach those furthest from the labour market. Business organizations also explained that employers would want to hire individuals able to perform the tasks required and would require further incentives if they must additionally invest in the individual for them to acquire the skills for the job (DWP, 2012b, Ev 23). For small businesses, the subsidy was not as important as the individual’s skill capacities (DWP, 2012b, Ev 63). This led actors such as the TUC to recommend that public grants be used to reach long-term unemployed youth (DWP, 2012b, Ev 20). Finally, interactions between government agencies and employers were flagged as an issue for businesses.

incentives for service providers. Second, the DWP was not convinced a new policy was required. The same interviewee stated the DWP was confident the Work Programme would be effective in resolving high youth unemployment at the time.¹⁰⁵ Third, service providers were wary that the wage subsidies would not be user-friendly (Interview DWP II, 2017, 60). Further evidence of a lack of learning comes from the DWP Committee's inquiry into the scheme.

The DWP Committee announced an inquiry into Youth Unemployment and the Youth Contract in February 2012 and presented its report to parliament in December 2012. The inquiry report warns that the program is insufficient to resolve youth employment issues. It also highlights the importance of structural deficiencies in the UK economy affecting youth that should be remedied in addition to the cyclical effects of the recession (DWP, 2012b, 16-17).¹⁰⁶ Once again, although work at the DWP Committee and within the DWP itself demonstrates efforts to consult with a wide array of actors and stakeholders and to investigate the effectiveness of the proposed policy (DWP, 2012b, Ev 119), certain policy decisions were affected by political considerations.

One illustration of this is the choice to use wage incentives, which represent approximately one-third of the overall Youth Contract budget (DWP, 2012b, 34). The DWP Committee inquiry finds there is a "lack of conclusive evidence for the efficacy of wage incentives" (DWP, 2012b, 34). The DWP's written testimony on the Youth Contract states it drew lessons from previous programs including the FJF (DWP, 2012b, Ev 123). Moreover, during oral testimony the Head of Labour Market Intervention Strategy at the DWP emphasized there are lessons to be learnt from previous policies:

"In terms of the wage incentives, we have had some discussions about it already. What the evidence would show is that, yes, the cost-effectiveness of wage incentives is varied, but the times when it is likely to be most effective is if it is focused on clearly defined disadvantaged groups, if it is done at a time of low labour market demand and if it is made as simple as possible. Now I think you need those three things in place to give it the best chance."

This echoes recommendations from OECD policy reports at the time that explain how states adopting ILM policies can optimize the effectiveness of these schemes (2012, 6).¹⁰⁷

¹⁰⁵ In their opinion, some of the Coalition government's policies contributed to the economic slowdown, but they did not advocate additional ALMP (Interview DWP II, 2017, 60).

¹⁰⁶ First, the report states UKCES evidence shows the types of jobs available with "elementary" jobs – which tend to hire young workers – stagnating or declining and little-to-no growth in these employment areas expected in the future. Second, the report explains SME are a growing share of private employment in the UK, however, there are less likely to hire inexperienced workers such as youth (DWP, 2012b, 16-17).

¹⁰⁷ The OECD does not, however, recommend that states adopt ILM.

There were other factors inhibiting policy learning. For example, a civil servant at the DWP explained that crucial differences between the FJF and Youth Contract made learning from the previous policy challenging.¹⁰⁸ This is especially the case for the cost-effectiveness of wage incentives. The FJF paid for a set number of hours and created work that wouldn't otherwise exist, whereas the Youth Contract was meant to incite private businesses already looking for workers to hire youth. This made the precise amount of the incentive difficult to determine. With little evidence to support this aspect of the policymaking process, this led to a long debate on how generous take make the wage subsidy (Interview DWP I, 2017, 38-39).

Opportunities for learning aside, partisan preferences were a significant influence. Chris Grayling recognized there was insufficient evidence to determine if wage incentives were effective at the time of the decision. He also explained the calculation behind the wage incentives was not evidence-based, stating "I cannot sit in front of the Committee and say we sat there with hot towels over our heads and heard lots of international evidence. Sometimes you have just got to believe something is worth a try" (DWP, 2012b, Ev 82, Q383).

The role of advisors at Jobcentre Plus, policies for NEET, and apprenticeships, on the other hand, are evidence-based initiatives that mark continuity with the previous government. The evidence for increased advisors is the same as that for the YPG. In addition, evidence shows that policies to help 16 to 17-year-old NEET were influenced by internal reports within the DfE and commissioned by the Department for Children, Schools and Families that single out this group and their needs (DfE, 2012). This may be because apprenticeships represent a more consensual policy in the UK.¹⁰⁹

The policymaking process for the Youth Contract can be contrasted with the policymaking approach for education reform during this period. Whereas employment policy is markedly political, there are signs of learning in education policy. Civil servants at the DfE stated that, although not devoid of political influence, there had been significant reviews in education including VET and apprenticeships as well as learning from previous policies and comparing the UK to other nations (Interview DfE, 2017, 9, 11-12, 16). In 2011, the government ordered a review of vocational education. The review analyzed VET for 14

¹⁰⁸ The fact the Coalition government ended the program early also affected their ability to have reliable results.

¹⁰⁹ For example, all three parties included increasing apprenticeships as electoral promises in their 2010 manifestos (Conservative Party, 2010, 16; Labour Party, 2010, 3:2-7; Liberal-Democrat Party, 2010, 14). In addition, debates in both the Houses of Commons and Lords, politicians from across the aisle agreed on the value and importance of apprenticeships (HM Government, 2010d,c). Nevertheless, as previously explained, the majority of apprenticeships created during the period targeted individuals 25-year-of-age and older.

to 19-year-olds and advocated structural changes (Wolf, 2011). The Coalition government accepted all 27 of the review's recommendations. Apprenticeships have also been evaluated as "a key route to skilled employment" (DWP, 2012b, 45). Part of this evidence gathering fed into the Youth Contract, which maintained and increased the previous government's Apprenticeship Grants for Employers (AGE) for 16 to 24-year-olds.¹¹⁰

In other words, although the DWP had many of the necessary tools for policy learning from previous policies when the Youth Contract was adopted – especially from past policy failures – political imperatives were deemed more important in this case. The DWP Committee inquiry into Youth Unemployment and the Youth Contract was an additional opportunity for learning. The Committee's report warns alternatives should be evaluated before implementation of the Youth Contract. Nevertheless, issue severity and political timeframes were factors inhibiting policy learning.

8.8.9. Stakeholder interests

Various stakeholders manifested their interests regarding the youth contract, and the government stated it consulted with these actors. These consultations include the voluntary sector, business organizations, trade unions as well as various other actors. Despite their interest, there is little evidence they attempted to form coalitions to block or alter the government's policy.¹¹¹ Although actors took positions on the Youth Contract, there is little evidence the main lines of conflict were based on skill or social protection levels. Instead, businesses wanted financial incentives to hire qualified youth.¹¹² One reason for this may be that although skills and social protection levels are relevant for workers in the labour market, they are not necessarily so for short-term youth schemes. Moreover, skills were addressed more fully by the Department of Education.

Regarding the voluntary sector, the Association of Chief Executives of Voluntary Organisations (ACEVO) expressed its concern on youth unemployment by creating an independent commission on the issue headed by Labour MP David Miliband in 2011. Among other propositions, ACEVO argues that the Coalition government should increase the number of wage subsidies to increase labour demand for youth as of 2012 (ACEVO, 2012).¹¹³

¹¹⁰ The DWP inquiry finds that apprenticeships are not a panacea and not the best alternative for youth furthest from the labour market and warns that more should be done in this area (DWP, 2012b, 48).

¹¹¹ In one instance in 2010, former Secretary of State for the DWP James Purnell aligned with the TUC ad a think tank to advocate the Coalition government adopt a job guarantee for individuals on the JSA for over a year (Personnel Today, 2010). That being said, this was prior to the Youth Contract being announced and is not specific to youth.

¹¹² Expert evidence did touch on the issue of skills. "There is a skills mismatch for people at the bottom of the labour market, which we have to address, but young people are fairly well prepared" (DWP, 2012b, Ev 5). The issue of skills is particularly relevant for youth between the ages of 16 and 18. However, the issue was previous work experience.

¹¹³ They argue that weak labour market demand is the immediate problem for youth due to the financial crisis and recession and that the government has already adopted a wage subsidy scheme, they should double "the number of job subsidies available in 2012, and for young people on the Work Programme for a year to be guaranteed a part-time

They also argued in favour of improving education, providing alternatives to university and welfare reform.

As explained above, employer organizations did back the scheme. The four largest employer organizations in the UK stated they were favourable to the Youth Contract.¹¹⁴ Smaller business organizations indicated skills were a vital issue. The Forum for Private Business, a non-profit organization for SME, identifies skill levels and attitudes as well as policy complexity as critical obstacles to youth employment (DWP, 2012b, Ev 139-140).

Trade unions also backed the Youth Contract. That being said, they were less enthusiastic towards it than they had been towards the FJF. The TUC, for instance, requested assurances that the scheme would be adequately monitored and highlighted their concerns regarding a lack of controls, the emphasis on the private sector, workfare elements and that the number of subsidized jobs may have been overstated (DWP, 2012b, Ev 157-158). Moreover, Prime Minister David Cameron acknowledged trade union opposition to the Work Experience part of the scheme (HM Government, 2012b, 274-275). Smaller unions did not participate in the DWP Committee Inquiry into Youth Unemployment and the Youth Contract. Evidence shows trade unions had little influence in this instance. There were strikes in autumn 2011, but these were in response to public sector changes and not the Work Programme or the Youth Contract (BBC, 2011).

8.8.10. Institutional constraints

Again, findings indicate that institutions played a key role in the policymaking process. Power concentration, fiscal constraints and issue visibility were all relevant factors.

The UK's first-past-the-post electoral system does not typically produce coalition governments. What is more, evidence shows that the Conservative and Liberal-Democratic parties did not have identical preferences for youth issues. Despite the presence of conflicts within the coalition, the government was able to impose its policy preferences without outside interference.

Financial constraints were a critical issue within the Coalition government. A civil servant at the DfE stated that fiscal consolidation became a priority after 2010 (Interview DfE, 2017, 8). Despite this, find evidence from the Youth Contract and other policy initiatives indicate that the government did invest in policies aligned with its priorities. For example, the apprenticeship budget was increased during this period (although much of this goes

'First Step' job as a stepping stone to unsupported employment" (ACEVO, 2012, 5).

¹¹⁴ During a roundtable discussion in early January 2012, the Confederation of British Industry (CBI), British Chambers of Commerce (BCC), British Retail Consortium (BRC) and Federation of Small Businesses (FSB) all backed the scheme (HM Government, 2012a).

towards apprenticeships for individuals over the age of 25) (Interview DfE, 2017, 8). The Youth Contract also includes recommodification elements through increased labour search incentives and employment subsidy incentives.

While there was undoubtedly pressure for fiscal reform, there was also an ideological component as both the Conservative and Liberal-Democratic parties stated their preference for cost-cutting. The Liberal-Democrat manifesto promises to cut the deficit (they state they have identified £150 billion in savings in existing government spending). However, they pledged not to cut spending too soon as this would affect the recovery (Liberal-Democrat Party, 2010, 15). In addition, the Conservative party manifesto states they “will cut wasteful government spending to bring the deficit down and restore stability” (Conservative Party, 2010, 7).

Both parties had preferences towards cost-cutting initiatives. They started their mandate by prioritizing other matters including increasing work incentives and reducing costs by reevaluating disability claimants. When youth unemployment continued to rise and the issue became more visible, they implemented additional schemes.

8.8.11. Conclusion

The Coalition government did not immediately address the issue of youth unemployment. However, as the issue gained salience, it reacted to it. As expected, the government had the power to adopt its policy preferences due to the configuration of parliament in the UK. For instance, the opposition and various stakeholders attempted to influence policymaking through parliamentary debates and the media. Their efforts had little effect due to high government power concentration.

Process-tracing for the Work Programme and Youth Contract demonstrate that political preferences were once again a key factor in the policymaking process. There are also signs of ideational influence and outside learning, especially for the Work Programme. Even so, multiple opportunities for learning were not seized. Partisan preferences are a crucial reason for this, and the government was able to adopt its preferred policies with little interference.

Despite being composed of parties from both the left and right of the political spectrum, the Coalition government adopted policies that contained negative supply-side incentives for youth. They halted existing youth programs, increased conditionality and reinforced work as an obligation for benefits. Furthermore, the welfare-to-work reforms adopted during this period were inspired by workfare policies to incentivize individuals to join the labour market. They, therefore, contain clear recommodification elements. Moreover, the

policies adopted under this government can be classified as cost-containment measures. The Coalition government cancelled the FJF for budgetary reasons. It also made cost-containment a priority throughout its time in office.

Priorities for cost-containment and recommodification aside, both policies are different and reflect different partisan interests and preferences. The Work Programme reflects Conservative preferences, and the Youth Contract reflects Liberal-Democrat preferences for youth initiatives. Furthermore, welfare-to-work and welfare reforms were prioritized over creating additional youth schemes. These issues may have crowded out youth as a policy issue in the first year and a half of the government.

8.9 Discussion

Both governments adopted similar incentive mixes for youth to integrate the labour market: increased labour search, subsidized employment, employment services, and upskilling. The logics of action in the UK before the financial crisis were for individualized service provision through the third and private sector; a rights and responsibilities rhetoric with a strong emphasis on compulsion; increasing working conditions and financial incentives with the objective of emphasizing the value of work; and reducing welfare dependency. The Labour and the Coalition governments mostly maintained these logics of action. For instance, both governments maintained rights and responsibilities as a reason for the age for policy provision. Policy provision also continues to operate through the third and the private sectors. These governments also maintained existing the age categories for youth policies. Unexpectedly, they extended another logic of action: demand-side activation incentives. These took the form of subsidized employment incentives. These types of incentives have been used in the UK in the past, including in the late 1990s in policies such as the New Deal for Young People (NDYP). They were not present in the years before the financial crisis.

The introduction of demand-side activation incentives can be explained by interactions between the three analytical frameworks. As predicted by the historical institutionalist framework, power concentration was a vital factor allowing the government to adopt its preferred policy preferences. However, to fully comprehend why these governments adopted demand-side financial incentives it is necessary to go beyond historical institutionalism.

I argue the Labour government decided to use its power to enact demand-side financial incentives in the form of the Future Jobs Fund as a result of issue salience and national actors promoting policy ideas. Indeed, the government had the authority to adopt the

policy with little chance of interference due to high power concentration. But this alone does not necessarily lead to action. For the Labour government, the salience of youth unemployment and past promises to eradicate the problem made the issue highly visible. As power concentration affects accountability, heightened issue visibility made the cost of inaction obvious in this circumstance. The form the policy took was influenced by another factor, policy ideas. In this instance, policy content was affected by national actors who played a crucial role by advocating for demand-side solutions. Once the decision to adopt a demand-side policy was made, civil servants used their knowledge to shape its final form.

A different set of factors explains the Coalition government's adoption of demand-side financial incentives. Once again, power concentration was a crucial institutional factor as it led to high accountability. This accountability notwithstanding, the government initially had no intention of adopting a new youth policy. The eventual adoption of the Youth Contract is explained by power resources within government. The Conservative-led coalition acquiesced to the Youth Contract as a concession to the Liberal-Democrats. Once this concession was granted, the government sought stakeholder input in designing the policy. This allowed it to adopt a policy that aligned employer associations' desire for incentives to hire inexperienced youth.

8.9.1. Evidence of policy learning

There is evidence of ideational influence in both periods examined. Furthermore, experts and policy experiences abroad were drawn upon in the policymaking process. Evidence of learning notwithstanding, interest-based and institutional factors were also important for these policymaking processes.

Youth unemployment was a salient issue during both the Labour and the Coalition governments. Although both governments identified the issue and adopted similar instruments, demand-side solutions, their problem definition was not identical. The Labour government defined the issue as one of job availability due to the financial crisis. Consequently, their policy solution was to create jobs that would not have otherwise existed, mostly in the public and voluntary sector. The Coalition government defined the issue as one of work experience. Their policy solution, while also including demand-side incentives, was to create incentives for employers to give youth a chance in existing jobs. For this reason, the feedback loops between the problem pressure in the third phase of the learning framework visible in Figure 2.1 and the first phase are not the same. Despite this difference, as the research demonstrates, neither government adopted its policies solely through policy

learning.

This is because neither government fully observed the fourth section of the ideational framework, the adaptation process. Evidence from both periods in the timeline shows these governments did not properly evaluate policy options before implementing youth schemes. Specific initiatives, such as apprenticeships and employment assistance, were the result of policy reviews and learning from previous crises. Policymakers also adopted different initiatives for different target groups, such as 16 to 17-year-olds and 18 to 24-year-olds, and those without or without higher education. That being said, in both cases wage subsidies were not the result of pure policy evaluation. The DWP evaluated the policy to make it as cost-effective as possible. Since instrument choice was not the result of policy learning, I cannot falsify $H_{1,0}$ ¹¹⁵.

I find very little evidence supporting $H_{1,1}$ in the UK case.¹¹⁶ In Chapter 2, I specify that I expect the OECD and EU to be sources of learning. Civil servants stated there was uncertainty during the crisis, especially in 2008 and 2009. Moreover, academics used OECD evidence in their policy proposal of a Job Guarantee. However, this is not sufficient to prove OECD influence. Job subsidies were not among the OECD's proposed policy solutions to youth unemployment at this time. There is also very little evidence of EU ideational influence. EU regulations on state aid may have affected the implementation of the Future Jobs Fund and the Youth Contract and the European Social Fund (ESF) provided funding to local youth initiatives. Finally, the TUC used EU ideas to defend their position towards job subsidies. These elements are important to understanding the policymaking process for these policies, but they do not fully provide evidence of learning.

Findings show national actors influenced policymaking. In both cases, political parties adopted initiatives linked to actors that aligned with their ideological preferences. The Labour government's youth subsidy partially aligns with Gregg and Layard's ILM proposal. The Work Contract aligns with independent welfare evaluations and the Conservative party and CSJ's recommendations for welfare-to-work. Finally, the Coalition government's Youth Contract represents the Liberal-Democratic objective of a youth initiative as found in their 2010 party manifesto.

Despite this evidence, there are multiple instances in which political priorities took precedence over learning. The political timetable and blame avoidance are particularly evident

¹¹⁵ Policymaking is a cognitive process in which alternatives are evaluated.

¹¹⁶ Policymakers uncertain how to obtain desired outcomes are more susceptible to policy learning through epistemic communities.

in the policymaking process for the FJF, Work Programme and the Youth Contract.

8.9.2. Evidence of coalition formation

The findings indicate interests were significant policymaking factor for the policies adopted in the UK case. The constellation of actors is also affected by institutional factors. This resulted in social partners not having a large impact on policymaking.

Evidence throughout the period supports $H_{2,0}$.¹¹⁷ At all times, the parties forming the government were the most potent actors and adopted policies that aligned with their political preferences. There is little evidence that other, less powerful, actors attempted to form coalitions to block policymaking. This may be because youth is a consensual issue in the UK. It may also be that youth issues are not a high ranking priority. Actors may not have had first order preferences to oppose youth measures, opting instead to focused their resources on other policy issues. Unfortunately, the findings do not permit me to determine this.

Although skills and social protection levels were discussed during the period, I do not find evidence supporting $H_{2,1}$, which stipulates the main lines of conflict are determined by skill and social protection levels.¹¹⁸ Instead, actors promoted their interests.¹¹⁹

The most active union regarding youth issues throughout the period was the TUC, a federation of unions in England and Wales. The TUC promoted solutions investing in youth including education and wage subsidies. They also recommended effective monitoring of youth schemes. However, their positions were evidence and value-based and not necessarily based on interests.

Business organizations did not manifest first-order preferences on youth issues during the crisis. For instance, they endorsed loans for SME as a policy solution during the financial crisis. They still advocated for different policy objectives to be able to participate in wage incentives (DWP, 2010c, 13). During the Coalition government, there is evidence that businesses preferred the solution of financial incentives to hire youth. In addition, the Coalition government created the Youth Contract to ensure that wage subsidies would include private employment.

It may be that, although previous research has shown that these are conflict lines, conflict lines manifested themselves differently regarding youth issues. Unionization in the UK is

¹¹⁷ Policymaking is a power-based process in which actors attempt to impose their interests.

¹¹⁸ The skill and social protection levels determine main lines of conflict for social policy adoption.

¹¹⁹ Findings do indicate skills and social protection levels were an issue that was addressed in DWP Committee evidence. Low-skills are identified as a key issue for youth, and social protection levels are also discussed to ensure the proper incentives exist for youth to get skills and to find employment.

very low among private sector workers. The policy issue at hand is lack of employment for youth. Since youth are unlikely to be members, it is not surprising that youth interests are not a priority for unions. The evidence found in the process-tracing does not allow me to adjudicate between these factors.

I do not find evidence to support H_{2,2}, that party alignment affects activation incentive preferences.¹²⁰ According to the Manifesto Project, both the Labour and Liberal-Democratic parties are centre-left aligned, whereas the Conservative party is right aligned. Nevertheless, the same incentive mixes were found during both sub-periods. Moreover, there is policy continuity between governments as the welfare-to-work reform adopted under the Coalition government maintains the Labour government's logic of action. It is true that the Liberal-Democrat elements of the coalition, especially party leader Nick Clegg advocated for youth schemes. This demonstrates the power dynamics within the Coalition government were important and different parties have different preferences. Nonetheless, these dynamics do not necessarily follow expectations.

8.9.3. Evidence of feedback effects

Institutions were a key factor throughout the period. As expected, during both governments the composition of British Parliament led to a concentration of power. This allowed parties forming the government to adopt their preferred policy solutions without interference by veto players and precluded the need to create broad coalitions. Process-tracing demonstrates that institutional configurations affected the policymaking process. As explained, institutions affected policymaking as high power concentration allowed the government to adopt policies unilaterally. In this way, feedback effects from the constitutional framework affected the policymaking process. I also find that issue visibility and financial constraints played a vital role in both cases.

Issue visibility was particularly important in both periods. Neither government initially intended to adopt wage incentives or any additional youth schemes for that matter. The Labour government had already adopted its main welfare reform with the Flexible New Deal and had initiated its proposed education reform. The Coalition government had adopted its policy priorities of welfare and welfare-to-work reform as well as initiating education reform. As youth unemployment rates rose during the financial crisis and recession and both the media and parliament debated these issues, it became a policy issue. Power concentration made the government-in-power accountable for the issue. Meaning that although priorities toward welfare reform may have initially crowded out youth is-

¹²⁰ Party alignment affects activation incentive preferences. Left-wing parties support concrete human capital incentives, and right-wing parties support negative supply-side financial incentives.

sues during the first year and a half of the Coalition government, issue visibility and the Liberal-Democratic preference for a youth-specific policy were determining factors.

Finally, I find evidence supporting H_{3.2}.¹²¹ First, the reforms adopted during both periods contained aspects of recommodification. Both the Flexible New Deal, Work Programme and Universal Credit maintained a work-orientation. Moreover, youth-specific schemes for 18 to 24-year-olds emphasized work experience and work placements. Second, cost-containment created pressure for both governments. Even though the Labour government adopted a Keynesian approach during the financial crisis and recession, returning to fiscal equilibrium was always a concern. The Coalition government was even more focused on expenditures, and cost-efficiency defended many policy choices. As I have already noted, this was an ideological position held by both parties.

¹²¹ Institutional configurations affect policy change: where change occurs in liberal welfare state regimes, priorities should be towards recommodification and cost-containment.

Chapter 9 | Conclusion

As this dissertation has shown, all three cases altered their youth employment policies since the financial crisis. Numerous policies show deviation from typical logics of action found in each case, but none of the policies analyzed represents a breakdown or replacement of the logic of action.

Given existing pressures for welfare state change, this could leave the impression of potential convergence. Within-case findings do not support this assumption. Instead, the results demonstrate that governments in each country responded to the problem of youth unemployment by maintaining typical logics of action as well as either reinforcing existing logics of action or including new activation incentives. As a consequence, these countries altered their overall youth activation strategies. Further research is necessary to determine what the long-term impacts of these competing logics of action in each case are.

Each case chapter includes a lengthy discussion of the findings and how they relate to all three theoretical frameworks. Rather than repeat this, this conclusion provides a more comprehensive understanding of the research findings. It is divided into three parts. 1) I use the empirical results to provide a comparison of outcomes between cases. 2) I apply the case findings to their corresponding welfare state regime. By contextualizing each case using welfare state regimes, I generalize the findings and create expectations for similar cases. 3) I outline the theoretical findings and discuss variable interactions.

9.1 Empirical Findings

The point of departure for this dissertation is the observation that although welfare states have increased the number of youth activation policies, existing research does not provide a clear understanding of what these policies represent. This inconsistency is especially perplexing given the impact of the financial crisis (OECD, 2013a) and the known long-term effects of employment integration on youth (Schmillen and Umkehrer, 2017). To provide a more comprehensive understanding of the treatment of youth employment within advanced capitalist welfare states, I investigate how countries altered their youth transition policies since the financial crisis. My objective is twofold. First, I wish to provide a detailed understanding of youth activation policies by distinguishing between policies more fully. Second, I want to comprehend the youth activation policymaking process in different welfare state regimes.

This research goes beyond aggregate expenditure data to analyze youth activation policies. I argue it is necessary to adopt this qualitative approach because commonly used indicators and activation types are insufficient to analyze and compare policy change under the present circumstances. For example, researchers have found that welfare states have grafted similar reforms to existing regimes. Specifically, countries from different worlds of welfare have increased funding for incentive reinforcement and employment assistance ALMP (Bengtsson et al., 2017, 384). Apparent convergence notwithstanding, incentive reinforcement includes various policies such as tax credits, in-work benefits, time limits for recipients, benefit reductions and benefit conditions. Employment assistance also comprises multiple policies including placement services, job subsidies, counselling and job search programs. These categories are also based on a distinction between market orientation and human capital investment (Bonoli, 2013). If, as research shows, there is no increase in human capital investment, this is unlikely to be the most relevant dimension for an activation typology.

What is more, if welfare states have indeed maintained their objectives, I argue that researchers should investigate other types of change. For these reasons, I analyze second-order change. That is to say, a change in policy instruments. To examine second-order change, I move beyond traditional activation classifications and argue in favour of classifying activation by policy instruments according to two dimensions: the lever to the labour market and the enforcement mechanisms used. By applying this activation incentive typology, policies previously categorized as incentive reinforcement and employment assistance are now spread out into different property spaces. Incentive reinforcement includes three activation incentives. Tax credits and in-work benefits affect workers and provide positive financial incentives to remain in employment. Benefit conditions affect workers and can represent both negative supply-side financial and human capital incentives. Time limits and benefit reductions are negative financial incentives intended to incite workers to move back into the labour market. Education requirements are benefit conditions that affect workers through human capital incentives. Employment assistance can be divided into two activation incentive types: supply-side organizational human capital incentives and demand-side positive financial incentives. This is because even though many employment assistance policies provide soft-skills for workers, job subsidies affect employers by lowering the cost of labour. Thus, what initially appear to be two property spaces may represent up to five different activation incentive types.

I argue these distinctions matter when analyzing and comparing policy change. The research findings indicate that all three cases increased short-term spending to respond to

rising youth unemployment from the financial crisis. Each case also adopted structural reforms that affected youth during the period. These actions create complex activation incentive mixes not made evident by only analyzing expenditures or using existing classifications. Analyzing incentive mixes, therefore, provides a better understanding of the policy changes in each case.

9.1.1. Activation incentives and trends between cases

This subsection explains the within case findings. It begins by comparing the incentive mixes from each sub-period to general activation literature. It then highlights three trends between cases. Finally, these trends are explained by variable effects and potential interactions.

Table 9.1 on the next page provides an overview of the activation incentives found within each sub-period. These incentive mixes are used to evaluate change in each case. As the table makes evident, supply-side policies are more common than demand-side ones. It also shows that each government adopted increased labour search incentives and employment services. Nearly all the governments created upskilling incentives during the period of investigation. More counterintuitively, this research finds multiple demand-side policies, with each case having some form of subsidized employment.

The information in Table 9.1 can be used to relate the case findings to policy trends identified in general activation research. As explained, the two most significant policies from general activation research are incentive reinforcement and employment assistance. The case studies indicate that incentive reinforcement for youth primarily took the form of increased labour search and upskilling. This finding means that the countries analyzed adopted policies that enforce conditions in the form of negative financial incentives and concrete human capital investment, not positive financial incentives. The case studies also show that employment assistance policies for youth comprise of both supply- and demand-side incentives. These include positive financial incentives in the form of job subsidies and organizational human capital incentives via employment services. Where possible, future research should compare a larger sample of welfare states and contain funding levels. This information would allow for a systematic comparison of welfare states and provide more conclusive results on potential areas for policy convergence. To expand beyond these general findings, I contextualize activation incentives to the national characteristics found in each case. In so doing, I identify three trends between cases.

First, new or unexpected logics of action were introduced or accentuated. This occurred even though each case continued existing logics of action during the period. Contrary to

Table 9.1: Activation Incentives in Case Studies

Country ^a	Government	Incentives to Encourage Employment	Increased Labour Search Incentives	Subsidized Employment	Fiscal Incentives	Administrative Services	Employment Services	Company Training	Upskilling
Denmark	Blue Coalition		•	•			•		•
Denmark	Red Coalition		•	•	•		•		•
France	UMP	•	•	•	•		•		•
France	PS		•	•	•		•		•
United Kingdom	Labour		•	•			•		•
United Kingdom	Cons Lib-Dem Coalition		•	•			•		•

^a

Legend:

• indicates presence of this incentive type.

the generous nature of the social democratic welfare regime, Danish governments reduced benefit generosity. These reductions led to unemployment benefit and social assistance retrenchment. Despite the longstanding familial logic of action in France, both governments adopted new, non-familial policies. These policies provide an alternative to familial benefits and increased social protection. Finally, counter to the types of activation typically found in the UK, both governments adopted demand-side financial incentives in the form of employer subsidies.

Second, the case findings indicate that activation incentives did not necessarily vary according to partisan affiliation. I hypothesized that left-wing parties would prefer concrete human capital incentives and right-wing parties would prefer negative supply-side financial incentives. Incoming governments should, therefore, have adopted different activation incentives to accommodate their preferences. Instead, within cases, left and right-wing governments adopted similar incentive mixes.

To expand on this, power alternated in each case during the period under investigation. In Denmark and France, this took the form of a switch from a centre-right to a centre-left or left government. In the UK, a centre-left government was replaced by a coalition government with a dominant centre-right party. These changes and the different preferences they entail notwithstanding, analyses indicate they did not significantly affect activation incentive mixes. These findings demonstrate a measure of continuity between governments on youth activation incentives.

Third, even though governments adopted similar incentives, differences remain. They are simply not those hypothesized. As the case chapters highlight, governments that use the same activation incentives still have important distinctions, and left and right-wing political parties adopted similar incentive mixes for different reasons. To better understand the presence of both continuity and change in all three cases, I highlight specific variable effects and potential interactions in this sub-section. A systematic explanation of the theoretical frameworks findings is in the theoretical findings section.

The first relevant factors are national and institutional. These factors help explain continuity between governments within cases. Within-case similarities are not wholly unexpected because youth issues are country-specific. The nature of youth issues means that governments within each case faced similar national problem pressures. All three cases also have their specific institutional frameworks and belong to different welfare state regimes. These countries, therefore, have different institutional configurations and logics of redistribution. For these reasons, historical institutionalism predicts policy continuity within countries.

The results from this dissertation contribute to this body of research by indicating that national characteristics are a significant policymaking factor which set the parameters within which governments operate.

Process-tracing reveals another significant factor: cultural and normative expectations. These expectations help explain how governments justified changes to youth policy. They are also relevant for understanding some of the unforeseen continuity between governments. Examples of this are evident in the Danish and French cases. Politicians in both of these countries argued that specific youth should not be on benefits and defended their positions using expectations of what consists of responsible behaviour in these countries. In Denmark, the assertion that youth should contribute to society was deployed to justify difficult reforms in a welfare state known for its generosity. In this way, politicians created an exception for welfare generosity for this subset of the population. In France, youth the age of majority remain under family guardianship. This treatment of youth helps explain why only two sub-categories of youth were given exceptional benefit access. That is to say, the hardest to reach youth and those who prove themselves worthy through work experience. These expectations can be related to country comparisons of citizenship and youth transitions to adulthood (Van de Velde, 2008; Chevalier, 2015a).

Related to this is a final factor I would like to emphasize, problem definition. The hypotheses in this dissertation are based on activation and social policy literature. However, researchers such as Loncle have argued that youth is often used as a symbolic policy category (2003; 2010). Loncle discusses the use of metonyms and indignation to explain how political actors employ discourses on youth, which is often defined in general terms, to address larger social issues including citizenship and social cohesion (Loncle, 2010, 80).¹ One reason for this symbolism is that actors use discourse to legitimate themselves rather than legitimate the policies they are proposing. A similar phenomenon can be found in welfare state policies. As Jenson and Saint-Martin (2003) argue, modern discourse on the welfare state also uses the broader concepts of social cohesion and citizenship to frame and justify proposed changes. This use of symbolism is one way that youth activation may represent a different policy category than general activation.

These notions can be used to understand why within-case continuity is not the whole story. As explained above, my qualitative analysis shows there are significant differences between policies that use the same activation incentives. It also demonstrates that left and right-wing political parties adopted similar incentive mixes for different reasons. Youth ac-

¹ This scholar uses France as a central example for this, including discourses during the period of investigation.

tivation preferences are elaborate and political parties defined youth issues according to their existing hierarchy of policy preferences. This dissertation shows that preferences notably affected incentive-types, target populations and policy implementation. As mentioned, research using discourse has been used to identify overarching trends in youth and welfare literature. This can be difficult to adapt to policy analyses. Nevertheless, one manifestation of this, how governments defined youth problems, provides insight into what the state and society consider to be acceptable behaviour by youth. Problem definition can also be associated with partisan preferences for activation. I argue that interactions between partisan preferences and ideational and institutional factors led to significant differences between governments. To illustrate these interactions, I use examples of problem definition from all three case studies.

Both the Blue and Red Coalition governments in Denmark reduced benefit generosity through policies that increased incentives for labour search. The Red Coalition distinguished itself from the Blue Coalition by also emphasizing education, thereby creating upskilling incentives as well as increased incentives for labour search. This difference can be explained by how each coalition's hierarchy of priorities affected problem definition.

Even though unemployment benefit reform affected youth, the Blue Coalition did not approach this reform as a youth issue. Instead, it defined the issue as the need to achieve structural balance. This definition can be explained by the Blue Coalition's preference for reduced spending. There were also institutional factors including a longstanding need to modernize welfare and labour market policies and to respond to financial constraints created by the financial crisis. Once the issue was defined as one of government debt, the Blue Coalition applied its existing preferences to limit policy solutions to those that increased labour. These preferences reduced the potential for policy learning by removing raising taxes or limiting spending as alternatives. In this way, unemployment benefit reform eventually became the means for accomplishing the government's interests.

The Red Coalition also faced financial constraints during its mandate. While similar institutional restrictions existed, this government adopted different policy solutions. When the debate on welfare generosity was renewed, this government defined the issue as a need for skilled labour and the Minister of Employment made policy reform a priority. The Red Coalition also singled out youth and highlighted youth's responsibility within society. These circumstances created an opening for the Red Coalition to use its preference for educational policies as an alternative for specific youth who no longer qualified for cash benefits, albeit framed as an obligation. Thus, while both governments reduced benefit gen-

erosity and imposed new conditions, incentive mixes between governments differed.

In France, both the UMP and PS governments created financial incentives for youth, albeit these governments targeted distinct youth populations. This difference can in part be explained by how partisan preferences affected government priorities. On the one hand, the UMP government defined youth unemployment as a skill and productivity issue and made individual responsibilities an essential factor for public assistance. On the other hand, the PS focused on living conditions and related youth issues to access to social rights. These differences naturally led policymakers to identify different target populations.

In the case of the *RSA jeunes*, the UMP government already had the preference of emphasizing mutual obligations for welfare issues. Appropriate solutions for this government, therefore, targeted those they believed to have contributed to society. At the same time, the youth commission identified working youth between the ages of 18 and 25 as a group requiring assistance and proposed the government provide them with financial support. This committee also provided policy ideas on potential solutions. Given the salience of youth issues during the financial crisis, extending the *RSA jeunes* to youth with work experience was a more palatable and less expensive policy solution than providing access to all, as had been proposed in the past.

Alternatively, the PS government defined youth problems as a set of diverse issues and made access to social rights a common element. Its initial policy preference for youth issues was subsidized employment. As these issues gained visibility, the government also provided financial incentives. The most apparent of these were for NEET through the *Garantie jeunes*. There is evidence that some PS members wanted the *Garantie jeunes* to be a universal policy. Once partisan criticism of the policy became evident and extending the *Garantie jeunes* to all youth was determined to be economically infeasible, the PS government relied on policy learning to justify its choice by showing that NEET are a vulnerable group. This strategy also aligned with the PS government's existing emphasis on youth's living conditions as a central issue.

Finally, both the Labour and the Coalition governments provided wage subsidies in the UK. Despite using the same activation incentive, the employers targeted varied with Labour favouring public and non-profit sectors and the Coalition government favouring the private sector. Within-case evidence shows departmental learning and partisan preferences explain these choices.

The Labour government did not specify the employment area. Civil servants used their

knowledge to form the policy and had the objective of reducing the number of benefit claimants to recoup costs. To the contrary, the Coalition government had a clear preference for private employment and sought to make youth more appealing to employers. Similar findings are found in France when the centre-right UMP favoured apprenticeships and study-work contracts in the private sector and the centre-left PS favoured public and non-profit subsidies. Although beyond the scope of this dissertation, these findings suggest that future research should investigate whether and how partisan affiliation affects education preferences, especially for apprenticeships and VET.

Having explained trends found between cases, I explain within case findings in and their generalizability to similar welfare states in the next subsections.

9.1.2. Social democratic welfare regimes

As a social democratic welfare state, Denmark is known for high levels of social protection and universal benefit access. The Danish welfare state also distinguishes itself with its flexicurity model. It combines a liberal labour market with high social protection and activation policies as a conduit back into employment. Previous research argues Denmark underwent a pro-market orientation in the 1990s and individuals under 30 are subjected to stricter requirements for benefit access (Bonoli, 2013, 81). The analyses of youth activation policies in this dissertation find Denmark has accentuated these trends since the financial crisis.

Although both governments during the period temporarily increased funding through youth packages, benefit generosity was reduced and conditions for those under 30 were tightened. A key finding is that, although benefit access remains universal, education requirements are increasingly and obligation for those under 30 years-of-age. This obligation extends the logic of action that policies are meant to encourage youth to be independent and active members of Danish society through labour market participation.

Research shows that other social democratic welfare states have similarly undergone a shift in activation logic to increase individual employability (Bonoli, 2013; Bengtsson, 2014). These findings may indicate that social democratic welfare regimes are increasingly under pressure to ensure that target groups, such as youth, are fully integrated into the labour market. These pressures could lead to stricter requirements such as those found in the Danish case. They may also be related to the cultural and normative unacceptability of joblessness for specific groups. States such as Finland and the Netherlands also have education requirements to access social assistance. Further analysis is necessary to determine how education is being used as a condition for benefit access in social democratic welfare

states.

9.1.3. Corporatist-conservative welfare regimes

Corporatist-conservative welfare states are known to provide social protection through earnings-based insurance schemes which may lead to high stratification effects and worker divisions. These effects can be particularly onerous for youth as they risk becoming labour market outsiders during their transition into employment.

This dissertation shows that France attempted to liberalize the labour market during the period under investigation. As expected, this was met with considerable opposition and did not lead to significant youth employment policy changes. France is also known for the way it provides social protection to youth through familial policies. Despite this tendency, this research shows that governments created new benefits unrelated to insurance or family-based policies. Thus creating new pathways for social protection.

There is considerable variation between corporatist-conservative welfare regimes. Nevertheless, research (Chevalier, 2015a) shows that Austria, Belgium, Germany and Spain also provide benefits based on family status. Increased problem pressure for youth unemployment stemming from the financial crisis may have led these states to create alternative policies for youth as well. This could alter social citizenship for youth in these countries. This merits further investigation.

9.1.4. Liberal welfare regimes

The United Kingdom is a liberal welfare regime. While youth in this regime typically have access to social protection, benefits are low and means tested. Activation is generally workfare-oriented with strict conditions and low human capital investment to avoid welfare dependency (Clasen, 2013).

Findings from the UK case show these tendencies have not changed since the financial crisis. Benefits did not become more generous, and programs for youth were generally cyclical. However, there was a change in the types of instruments offered to help unemployed youth integrate the labour market.

UK governments attempted to provide new pathways to employment via job subsidies. These policies did not replace workfare-type policies commonly found in liberal welfare states. Even so, demand-side incentives could act as a complement to existing supply-side incentives in liberal regimes. These policies are meant to reduce the cost of labour for employers and could potentially allow for on-the-job training that is transferable to future employment. It may be that other liberal regimes use temporary programs to resolve youth employment issues instead of reforming systems.

9.2 Analytical Frameworks

In this dissertation, I have used three distinct analytical frameworks to formulate alternative hypotheses. This approach should not lead to a hierarchy of variables or an overarching framework. Instead, the underlying objective is to use these variables to formulate hypotheses and, ultimately, better understand the policymaking processes within these cases during the period of investigation.

My findings indicate that certain variables may be more significant in one policymaking process than another. Once again, these results do not mean that researchers should discount any of these variables when analyzing youth activation policymaking. Instead, these theoretical frameworks are complementary in the sense that examining each of these variables allows for a complete understanding of a case.

This approach has made me aware of areas where frameworks potentially overlap and interact in cases of youth activation policymaking. In the next subsections, I summarize my theoretical findings and use evidence from the case studies to bring attention to these areas.

9.2.1. *Policy learning*

H_{1.0}: Policymaking is a cognitive process in which alternatives are evaluated.

H_{1.1}: Policymakers uncertain how to obtain desired outcomes are more susceptible to policy learning through epistemic communities.

Of the 15 policies analyzed, there is insufficient evidence to reject the null hypothesis for H_{1.0}. This is because all three cases provide mixed evidence that policymaking is a cognitive process in which alternatives are evaluated. The *Garantie jeunes*, which underwent rigorous policy experimentation and evaluation provides a concrete example of how policy learning is used in the policymaking process. Findings from other policies also provide evidence of cognitive processes. Nonetheless, no one policy analyzed adheres to the hypothesized framework in Figure 2.1. Instead, findings indicate that policy learning only partially explains the policymaking process. Case study evidence does not support H_{1.1}. This is because uncertainty was not a significant factor in any of the cases analyzed. As none of the cases analyzed fulfill this scope condition, it is not possible to evaluate the hypothesis. Despite these limitations, these cases present the opportunity to deepen our understanding of the conditions that affect policy learning. Specifically, actors that can facilitate learning, signs of “discreet” learning, and the effects of political behaviour on learning.

The types of actors involved in policy learning were not those hypothesized. Contrary to

expectations, international actors did not play a significant role in the policy process for youth transition policies in any of the cases during the period. Rather than the EU and OECD forming epistemic communities and similarly influencing all three cases, findings indicate that national actors served an essential role as conduits for ideas. National actors were not necessarily affiliated with the same epistemic communities as the EU and the OECD. For example, in the UK and France, there is evidence that national actors shared beliefs that the EU and OECD promoted. However, these national actors were not necessarily members of common ideational networks. In this way, national actors may have been aware of existing policy ideas to resolve youth unemployment, but there is little evidence they shared beliefs with or coordinated with the EU and the OECD. Interactions between national actors do, nonetheless, help explain why specific policies were adopted during the period.

An illustration of this comes from the French case. Process-tracing indicates that stakeholders and experts advocating for change facilitated the integration of policy ideas in this country. Both the UMP and the PS governments adopted youth employment policies that were not initially part of their policy agenda. Interview and documentary evidence indicates that youth issues were not a primary concern for social partners. Instead, a broad network of national actors advocating youth issues shaped the policy discussion. These actors notably participated in the High Commission for Youth Unemployment, mobilized during the 2012 election under the name *Big Bang de Politiques de Jeunesse*, participated in the creation and experimentation of the *Garantie jeunes*, and advocated for policies during the *loi Travail* negotiations. In so doing, they acted as channels through which ideas were communicated.² Finally, the newfound salience of youth issues, high youth unemployment, and social partner power resources were also undoubtedly factors affecting these decisions.

The UK case provides another example of national actor influence. The Young Person's Guarantee was shaped by local and national actors behaving as policy entrepreneurs. In so doing, these actors provided alternatives for policymakers and politicians. The Work Programme was also influenced by actors within the Conservative party and a conservative think-tank. Although linked to a political party, these actors used existing policymaking knowledge to formulate policy.

All of these examples include different types of actor networks. The *Big Bang de Politiques*

² I would like to note that the *Garantie jeunes* did begin as an EU idea. Even then, of all the policies analyzed it is the only such example. It was also significantly adapted by national actors to fit the French case.

de Jeunesse and coordination between the CFDT and FAGE during the *loi Travail* negotiations represent fluid alliances. Whereas the conservative think-tank in the UK represents a stable relationship with a political party. These differences notwithstanding, my findings highlight how strong stakeholder interest can affect policy learning. One way to better understand this would be to incorporate more public policy theory to comparative welfare state literature. Such a research strategy could help determine what types of networks are most prevalent within welfare state types and issue areas.

The overall findings indicate that institutional and power resource factors were more significant than ideational ones. Nevertheless, evidence from all three cases shows signs of evaluation and learning in the policymaking process. I argue these are discreet signs of policy learning. This primarily occurred in two ways: departmental knowledge and open consultation. In the Danish case YP I, YP II and YP IV build on existing knowledge about youth packages since the mid-1990s. This learning allowed for policy continuity between youth packages. The Danish Agency for Labour Market and Recruitment and the Ministry of Education also played a significant role in informing and evaluating policy initiatives. Policy analyses and expert recommendations were also used in Denmark's Recovery Package and cash benefit reform. Evidence from the French case demonstrates an openness to policy learning. For instance, the Youth Commission included a wide array of actors that debated a range of issues affecting youth. Findings demonstrate UK civil servants also used previous experience and evaluations to inform the policymaking process. Examples of this come from the initial policy response to the financial crisis, the Young Person's Guarantee, the Future Jobs Fund, and the Work Programme. These policies all build on existing knowledge and reports.

This evidence notwithstanding, I must note that policymaking was not solely based on policy learning and alternatives were only seriously evaluated in specific instances. Even when policy evaluation occurred, this did not necessarily lead to learning. France's youth commission did not ultimately create wide-ranging reform. Nor was the UK's Department of Work and Pension's evaluation of the Work Programme used in the final policy, which followed a political rather than a cognitive timetable. Furthermore, governments showed a tendency to adopt policy ideas that aligned with their existing preferences. Within-case evidence also provides numerous instances in which other factors, most notably political factors, circumscribed alternatives.

The Recovery Package is an example of political factors limiting the range of options considered for reform. Precisely, although the Recovery Package follows recommendations

from previous commissions to reduce benefit levels, the policy menu was constrained to include options that aligned with the Blue Coalition's preference for spending reductions. Another example comes from the policymaking process for France's *Contrats de génération* and *Emplois d'avenir*. Although these policies include previous knowledge and were adopted in collaboration with other actors in the policymaking process, the form the policy should take was already largely determined by the government. Both of these examples demonstrate how power resources can have a significant impact on the policymaking process.

Finally, even instances where there is significant evidence of policy learning, other factors influenced the policymaking process. The *Garantie jeunes* is an example of this. International and national actors both worked on ideas to resolve youth employment issues. These ideas were adapted to the French context and led to policy experimentation. However, the policy was ultimately adopted *before* evaluation was completed. These findings show how the factors hypothesized to affect the adaptation process in step four in Figure 2.1 may create feedback loops that affect the learning process.

9.2.2. Power resources

H_{2.0}: Policymaking is a power-based process in which actors create coalitions to impose their interests.

H_{2.1}: Skill and social protection levels determine the main lines of conflict for social policy adoption.

H_{2.2}: Party alignment affects activation incentive preferences. Left-wing parties support concrete human capital incentives and right-wing parties support negative supply-side financial incentives.

Evidence from all three cases supports the hypothesis that policymaking is a power-based process. In Denmark, this mostly came in the form of political parties negotiating according to their policy preferences. In France, the government was the most powerful actor. However, on multiple occasions, social partners and interest groups formed coalitions and used their power resources to influence the policy debate. In the UK, the government was also the most powerful actor with other actors attempting to control the policy debate through reports and parliamentary processes.

Proof of power-based policymaking notwithstanding, it is not possible to create generalizations on actor interests from these three cases. This is because evidence shows the preferences outlined in Chapter 2 represent an oversimplification. This may be partially

due to the specific nature of youth activation policy. As this target population often lacks required work experience and union membership, their interests are not necessarily represented by trade unions. It could also be related to the size and varying needs of this group which can lead to low power resources and issue fragmentation.

Due to institutional effects (explained in the next section), not all actors were equally influential. For this reason, researchers would benefit from establishing institutional effects on actors resources before creating their power resource hypotheses. Furthermore, not all actors are equally active in all policy areas. For example, even if social partners and other interest groups were present in all the cases analyzed, they did not necessarily have definite preferences for youth policy. For this reason, it is difficult to determine employer and employee issue positions and preferences. The case findings also indicate youth activation does not lend itself well to traditional labour market expectations. This is because trade unions and employer associations do not necessarily treat youth as a high priority issue. One reason for this is that youth have difficulty accessing the labour market, meaning they are not necessarily a key demographic for these organizations. These organizations may also address youth issues as part of a broader strategy. This makes it difficult to determine actor preferences, as evident in the French case.

Finally, findings indicate that political parties did not express the hypothesized incentive preferences. Despite changes in government, similar incentive mixes were adopted across governments during the period. As explained above, in Denmark, both centre-right and centre-left governments adopted policies representing retrenchment by increasing incentives for labour search. In France, governments included policies that provided financial incentives to youth. In the UK, a centre-left and a coalition government adopted policies to provide employment subsidies. Process-tracing nuances this finding by demonstrating critical differences within these incentives. The centre-left Red Coalition favoured education solutions, whereas the centre-right Blue Coalition favoured work solutions in Denmark. In France, financial incentives were targeted at different categories of youth. In the UK and France, findings indicate centre-left parties favour subsidies for public or non-profit employment whereas centre-right parties preferred subsidies for private employment. These distinctions are too varied to allow me to create alternative expectations for youth activation preferences. They do, however, indicate that preferences for youth activation likely differ from preferences for general activation policies.

9.2.3. Historical institutionalism

H_{3.0}: Institutional configurations affect policy change: where change occurs in social democratic welfare state regimes, priorities should be towards rationalized recalibration and cost-containment.

H_{3.1}: Institutional configurations affect policy change: where change occurs in conservative welfare state regimes, priorities should be towards recalibration through updating and cost-containment.

H_{3.2}: Institutional configurations affect policy change: where change occurs in liberal welfare state regimes, priorities should be towards recommodification and cost-containment.

The results support all three hypotheses. That being said, the degree to which priorities are for recalibration and recommodification is an issue that merits debate. Furthermore, findings indicate the Danish case deviates from H_{3.0} by showing a priority for retrenchment. Once again, the specificity of youth employment policies may explain this discrepancy. This is because these policies do not represent general welfare state trends and therefore lend themselves poorly to such hypotheses.

Nevertheless, institutional effects were significant factors in all three cases. The constitutional configuration played an essential role by determining the constellation of policy actors and their resources. The UK represents a case in which the government effectively had the power to adopt its desired policies. Despite social partner influence, French governments also had the power to adopt their preferred policies. In Denmark, an institutional propensity for coalition governments affected policy negotiation by making it more consensual.

In cases where there was a high power concentration, accountability was also high. These effects are particularly evident in the UK and France where policymakers attempted to avoid blame for high youth unemployment and claim credit through new policies. Low power concentration in Denmark may have also facilitated the policymaking process for unpopular policies. This is because the presence of multiple veto players created the opportunity for different coalitions to form and made it difficult to assign blame on one actor.

Evidence shows that financial constraints were an essential factor in each case. Despite this, governments in all three countries invested in youth policies. One possible explanation for investments despite having to overcome financial constraints is the economic and political significance of youth employment. Precisely, youth unemployment was a highly visible

and salient issue in all three cases during the period and governments with high power concentration were politically accountable for the issue. These investments were also made as part of a complex decision-making process that involved reducing costs in other issue areas or limiting the size of youth investments due to financial constraints.

9.3 Conclusion

Youth represent a vulnerable segment of the population. For most citizens, the ability to successfully transition into employment will have important and long-standing effects on their well-being. Advanced capitalist welfare states, therefore, create various programmes to address this issue. This includes adopting youth activation policies. I argue that analyzing these policies, as opposed to macro comparisons between cases, is key to understanding how countries guide the transition to adulthood. This dissertation is a first step towards this goal.

This research shows that youth activation strategies remain largely country-specific. Although country differences are enduring, nations belonging to different welfare state regimes continue to address this issue. Furthermore, this research demonstrates that governments from various ideologies have adopted and modified these policies to react to changing socio-economic circumstances. In this way, institutional factors provide the foundation upon which political parties and national actors attempt to influence each other via interest-based and ideational factors. These interactions create a variety of policies with the objective of incentivizing youth to join the labour market as well as incentivizing employers to give youth the opportunity to do so.

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Appendix 1

A.1 Entitlement Tables

.1.1. Social Assistance Entitlement Conditions

Table A.1: Comparison of Social Assistance Conditions

Country	Social Assistance Benefit Conditions ³
Austria	To qualify for guaranteed minimum resources (<i>bedarfsorientierte Mindestsicherung</i>), individuals must prove minimal resources. Persons capable of work must as a rule be willing to perform reasonable work. They might be sent to the competent labour office in order to be registered as job-seekers.
Belgium	Young persons who are unemployed after their vocational training can, in certain circumstances, receive a flat-rate allowance called an integration benefit, the amount of which varies depending on their family situation and their age. Payment of this benefit is limited to three years.
Denmark	To qualify for means-tested social assistance (<i>køntanthjælp</i>), individuals must be aged 30 or over, or if under 30 must have educational qualifications, and their spouse or cohabiting partner (if you are both over 25) cannot provide for you and your family. Individuals must also prove minimum resources, cannot receive assistance through other benefits and must participate in job seeking services. Individuals without an education below the age of 30 are provided with student grants (which have lower rates than social assistance) to start an education rather than social assistance.
Finland	Individuals can claim means-tested social assistance (<i>toimeentulotuki</i>) when they are unable to make a living through paid work, self-employment or other benefits, or from other income or assets, by being cared for by persons liable to provide them with maintenance, or in some other way. The basic amount can be reduced if the person has refused an offer of work, labour market support measures, training or measures promoting the integration of immigrants and which has led to the need for social assistance.
France	Means-tested unemployment assistance (<i>revenu de solidarité active</i>) exists for those who have exhausted entitlement to unemployment insurance benefits and fulfil the previous activity conditions. Individuals under the age of 25 may qualify for social assistance if they are pregnant, have one or more dependent children, or prove they have worked a predefined legal amount of hours, 3600 or two of the last three years.

³ From MISSOC “Comparative Database”, 2016 (<http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOC>) EU “Your Rights, Country By Country” Fiches, 2016 (<http://ec.europa.eu/social/main.jsp?catId=858>), and OECD “Benefits and Wages Data”, 2014 (<http://www.oecd.org/els/soc/benefits-and-wages-country-specific-information.htm>).

Germany	Individuals may qualify for means-tested social assistance as of the age of 15. However, household income is taken into consideration meaning that when the youth is living at home, families receive benefits rather than the individual. Individuals over the age of 18 with disabilities rendering them unfit to work may qualify for social assistance.
Ireland	Irish residents may qualify for the means-tested Supplementary Welfare Allowance as of the age of 18. However, rates are lower for 18 to 24 year-olds.
Netherlands	Dutch residents may qualify for means-tested social assistance if they are at least 18 years old, prove their income is below the social assistance norm, do not claim any other benefit or have assets that do not exceed a pre-determined sum, are not in jail or a detention centre. Benefit levels are partly determined by age with individuals under the age of 21 receiving lower levels of assistance.
Spain	Minimum income schemes in Spain are oriented towards retired and elderly individuals.
Sweden	Individuals may receive means-tested social assistance upon so long as they must actively seek work (or use other means to assist themselves).
United Kingdom	The Universal Tax Credit will eventually be a means-tested social assistance scheme phased in across the UK. Benefit reciprocity is conditional on participation in a Claimant Commitment and proof the individual is actively seeking work. Individuals over the age of 16 may be eligible for the means-tested Working Tax Credit if they work a pre-determined number of hours of paid-work per week and have income below a specified level.

.1.2. Unemployment Entitlement Conditions

Table A.2: Comparison of Unemployment Insurance and Benefit Conditions

Country	Unemployment Insurance and Benefit Conditions ⁴
Austria	To qualify for the unemployment benefit (<i>Arbeitslosengeld</i>) individuals must be unemployed, able and willing to work (to accept suitable employment), be at the disposal of the job office and may not have exhausted your entitlement. The minimum period of insurance to be completed for individuals under the age of 25 is 26 weeks within the last 12 months. Individuals may qualify for unemployment assistance (<i>Notstandshilfe</i>) if they exhaust their entitlement to unemployment benefit if their disposable family income is not sufficient to provide for essential needs.
Belgium	Belgian residents between the ages of 18 and 65 must be involuntarily unemployed and registered as jobseeker. They must also be fit for work, available for the labour market, actively seeking work, and without remuneration. Youth between the ages of 18 and 30 having completed their studies must additionally enrol in a 312 day professional integration program and file claim before the age of 25. Benefits vary according to family situation.
Denmark	Danish residents between the ages of 18 and 65 must be members of an unemployment insurance fund (<i>a-kasse</i>). Individuals can apply to become members of funds if they fulfill the necessary previous work experience conditions, or upon leaving higher education or an 18-month VET program. To qualify, they must have no working or formal educational activity, be registered as job seeker and available to the employment services, capable of working and available for the labour market as well as actively seeking employment and co-operating with the employment office to build up an individual action plan.

⁴ From MISSOC “Comparative Database”, 2016 (<http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOC>) EU “Your Rights, Country By Country” Fiches, 2016 (<http://ec.europa.eu/social/main.jsp?catId=858>), and OECD “Benefits and Wages Data”, 2014 (<http://www.oecd.org/els/soc/benefits-and-wages-country-specific-information.htm>).

Finland	To claim either earnings-related allowance (<i>ansiopäiväraha</i>) or the basic allowance (<i>peruspäiväraha</i>), Finnish residents between the ages of 17 and 64 must be involuntarily unemployed, had been working for a total of 26 weeks in the 28 months before becoming unemployed, registered as a job seeker and at the disposal of the employment office, be actively seeking employment, capable for work and available for full time work. Self-employed persons must have been working for 15 out of the 48 months immediately preceding their unemployment and this activity must have had a defined scope. Individuals who do not meet these minimum requirements, such as graduates entering the labour market, may qualify for a labour market (<i>työmarkkinatuki</i>) subsidy. Unemployed 17-year-olds without professional training may receive support to promote employment. Unemployed 18-24 year-olds, who have no professional training, can get social assistance unemployment period if they have not refused a job or training, have applied for vocational training. This applies to both the social support that the basic allowance. Those without professional training may only receive support after a five-month waiting period.
France	To qualify for unemployment benefits <i>allocation d'aide au retour à l'emploi</i> , French residents under the age of 50 must have be affiliated with the system for at least 122 days over the previous 28 months, prove they are actively seeking work under the individual job-seeking plan (<i>projet personnalisé d'accès à l'emploi</i>). They must be involuntarily unemployed, effectively and permanently looking for work, registered as job-seeker and to conform to a personalized back-to-work action plan, and physically able to work. Technically, individuals may qualify as of the age of 16.
Germany	German residents between the ages of 15 and 65 who are without work, actively looking for work (or self-employed for less than 15 hours per week), available for the placement efforts undertaken by the employment agency (various criteria apply here) and physically able to work for at least 3 hours per day may qualify for unemployment benefits. Benefits vary according to family situation and families may receive benefits for their children until the age of 25.
Ireland	There are contributions and non-contributions-based unemployment benefits in Ireland. Irish residents between the ages of 18 and 65 who are involuntarily unemployed, not full-time students, registered as a jobseeker, capable and available for full-time work and actively seeking work. Rates vary according to age for the Jobseeker's Allowance (non-contributions based) with individuals between the ages of 18 and 24 receiving lower amounts.

Netherlands	Dutch residents below the legal retirement age who are involuntary unemployed (or have lost of at least 5 or half of the working hours per week) and have worked for at least 26 weeks in the 36 weeks before becoming unemployed, must registered for the benefit on the first day of unemployment with the Institute for Employee Benefit Schemes, be capable and available for work and seeking employment.
Spain	To receive contributions-based unemployment benefits, individuals must be committed to working and have contributed for a minimum of 360 days during the previous 6 years before becoming unemployed. Spanish residents between the ages of 16 and retirement age must be involuntarily unemployed, register as job seeker and to be at the disposal of the employment office with an obligation to actively seek employment, capable and willing to work, affiliated to a social security scheme that covers this risk and to be an active contributor or in a situation treated as such on the date when the job is lost. To be eligible for assistance, individuals must have exhausted the entitlement to contributory unemployment benefit, have family responsibilities or to be over 45 years of age (without family responsibilities).
Sweden	Swedish residents who fulfill previous work requirements may apply for unemployment insurance (<i>ersättning från A-kassa</i>) if they are below 65 years-of-age, registered as jobseekers at the public employment office, capable of working for at least 3 hours each working day with an average of at least 17 hours per week and otherwise available to the labour market. Unemployed young people between 18-24 years old who cannot get unemployment benefits may receive a development allowance upon participation in an employment market program. Those 18 or 25 entitled to unemployment benefits may instead receive an activity grant upon participation in an employment market program.
United Kingdom	Residents of Great Britain between over 16 years-of-age can claim the Jobseeker's Allowance if they are under the pension age and not a full-time student (there are special rules for individuals under the age of 18), involuntarily unemployed, not engaged in work for 16 or more hours a week, capable and available for work, have entered into a Jobseekers' agreement and actively seeking employment. Individuals may not have over GBP 16 000 in savings and their partner cannot work over 24 hours a week. Individuals between the ages of 18 and 24 receive a lower benefit than those over the age of 25.

Appendix 2

A.2 Evidentiary Signature Tables

.2.1. Policy Learning: Evidentiary Signatures

H_{1.0}: Policymaking is a cognitive process in which alternatives are evaluated.

H_{1.1}: Policymakers uncertain how to obtain desired outcomes are more susceptible to policy learning through epistemic communities.

Table A.3: Evidentiary Signatures for Policy Learning

Dissatisfaction with status quo	Internal/external policy reports, qualitative or quantitative evaluations, actors speaking or writing (media reports).
Search for alternatives	Meetings, commissions, policy reports, citing experts/organisms/countries.
Level of uncertainty	Incomplete problem definition (problem recognition without definition), signs of more active involvement such as requests for information and reports. Use measures as a means for determining the level of uncertainty and potentially variation in the financial crisis as a trigger: <ul style="list-style-type: none"> • Unemployment rate • NEET rate • Consumption • Investment • Wages
Evaluation of alternatives	Policy experimentation, debates of policy efficiency, back and forth or tinkering between actors, requests for additional information and changing provisions.
Convergence with international organizations	The evaluation process should cite these organizations and the same reports, there should be evidence of meetings with the organizations or between common partners, interviewees should use verbal cues such as referring to specific organizations or processes.
Disqualifying measures	Lack of uncertainty if problem definition is complete; simultaneous invention if policymakers are unaware of existing idea; discarding a proposed solution without explanation could be evidence of coercion or mimicry.

.2.2. Coalition Formation: Evidentiary Signatures

H_{2.0}: Policymaking is a power-based process in which actors attempt to impose their interests.

H_{2.1}: The main lines of conflict for social policy adoption are determined by skill and social protection levels.

H_{2.2}: Party alignment affects activation incentive preferences. Left-wing parties support concrete human capital incentives and right-wing parties support negative supply-side financial incentives.

Table A.4: Evidentiary Signatures for Coalition Formation

Coalition formation	<p>First, the actors preference’s should align with our expectations for each actor according to skill and social protection levels. We must create a list of all relevant actors for the subsystem in general and then refine it for each policy in question. For signs of this we should look for speeches, electoral platforms, press releases, statements, internal and external documents and positions taken in debates. Alignment with think tanks and funding expert reports can be another sign of policy preferences.</p> <p>Second, if coalitions are formed we should see under what conditions this occurs. For instance, does the final position represent first or second order preferences? Evidence of policy preferences should also be present in the negotiation phase. For instance social partners may negotiate policies between themselves and with the government. The verbal cues used by actors when explaining negotiations is another important source. Also determine social partners’ roles, are they legally entitled to be part of the process?</p>
Disqualifying measures	<p>If actors state they have different preferences or remain passive when they should be protagonists or antagonists to a specific policy position. If an actor with strong power resources is unable to adopt their preferred policy or a policy that runs counter to their preferences is adopted, this should be taken as evidence that other factors are at work.</p>
Trade union preferences (dualization)	<ol style="list-style-type: none"> 1) The scope characteristic of dualization as confirmed by employment protection and labour market segmentation indicators. 2) What type of trade union it is (exclusionary or encompassing) according to what type of workers are represented. 3) Trade union preferences through press releases, policy prescriptions and internal and external reports. Also look for schisms within trade unions and reactions by excluded groups.

Disqualifying measures	If exclusionary groups promote positive incentives, if encompassing groups promote negative financial incentives or do not promote positive incentives, or if there are no signs of tension between workers.
Interaction between social protection and labour market segmentation.	Look for position statements, policy reports as well as surveys that poll policy preferences and ask the question of the respondent's age. We should specifically look for groups that represent these individuals such as social partners and collective movements. This includes student unions, young professionals and think tanks.
Disqualifying measures	If skilled outsiders do not show signs of understanding their material interests, if skilled outsiders do not participate or have no opinion or if skilled outsiders back a political party that does not represent their interests (and an alternative party exists for them).
Employer preferences	Look into employer organizations. They should have stated positions, look especially at sectorial agreements and areas where skilled labour is required (they should be protagonists here), look at how firms critique the government in the wake of the financial crisis (for instance if business lobbies decry the lack of skilled labour or the cost of labour), look at what pro-business think tanks are publishing and who is funding them.
Disqualifying measures	If firms do not participate in policy debates and remain passive, if firms are antagonistic towards their stipulated policy preferences, and if firms that require skilled labour are antagonistic to positive human capital incentives.
Party preferences	We should find that left-wing parties prioritize access to training and employment for all and removing obstacles to the labour market. The correlation found in the literature is that left-wing parties prioritize employment assistance and upskilling. Right-wing parties should be found to emphasize the rational individual's cost/benefit calculation and should create incentives to join the work force and to avoid incentive traps (i.e.: welfare traps and work disincentives). The correlation found in the literature is that right-wing parties prioritize <i>workfare</i> active labour market policies. These logics should be observable in the party rhetoric, the metaphors used to describe the underlying policy issue, party platforms, electoral promises, and legislative debates. Within the problem definition, these logics should be especially visible and the different conceptualizations should lead to different response priorities.

Disqualifying measures	<p>Would include if parties show a common definition of the policy problem, if parties agree and legislation is passed with little debate or points of contention, or if parties show no will to adopt the above policy preferences. It is also important to determine if there were intervening factors such as being hindered from adopting their preferred activation incentives due to fiscal constraints. For example:</p> <ul style="list-style-type: none"> • The goal with this hypothesis is to determine if policy options are constrained by fiscal priorities. Meaning a policy alternative should be <i>on</i> a list and then <i>crossed off</i> the list (Kingdon's streams, not all three meet). Look at all party platforms and electoral debates. There should be a prior indication in party manifesto/electoral platforms stating that investment in human capital policies are an objective. Subsequently, parties in power (or part of a coalition government) should then have lengthily debates and internal conflict between the factions of the party. Look for tension within a party and its constituents (including the hypotheses on power resource and partisan preferences, how has each conflict dimension manifested itself here? Does a faction speak out? Protest? In which ways?) There should also be a discourse shift (blame avoidance or reframing the issue) to avoid the consequences of this policy objective change. How does the party react to this discord from within? How do opposition parties and opposing interests respond to this shift?
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.2.3. Feedback Effects: Evidentiary Signatures

H_{3.0}: Institutional configurations affect policy change: where change occurs in social democratic welfare state regimes, priorities should be towards rationalized recalibration and cost-containment.

H_{3.1}: Institutional configurations affect policy change: where change occurs in conservative welfare state regimes, priorities should be towards recalibration through updating and cost-containment.

H_{3.2}: Institutional configurations affect policy change: where change occurs in liberal welfare state regimes, priorities should be towards recommodification and cost-containment.

Table A.5: Evidentiary Signatures for Feedback Effects

Lock-in effects	These effects increase the cost of adopting policy alternatives. This can occur due to the timing of a policy and how the existing policy can create constituencies, leading to political pressure, or can crowd out other policies by maturing costs.
Fiscal constraints	Look at the debt to GDP ratio, also identify all policies on the agenda for governments in place to determine if certain costly policies may be prioritized, analyze the economic effect of the financial crisis by the number of unemployment and GDP growth. Cross analyze this with party preferences for indications that preferences were not met due to fiscal constraints.
Programmatic visibility and blame avoidance	Determine if the policy issue has become more salient, and then determine the party preferences and the final policy output to determine if there is a difference. Look for internal communications, party position papers and media reports.

<p>Cost-containment: we expect welfare states are less likely to adopt expensive activation incentives in the presence of mature social programs and fiscal austerity (applies to all three cases).</p>	<p>This hypothesis looks into the adoption of investment and long-term strategies versus cost-cutting and blame avoidance measures. The basic notion here is that budgetary constraints limit options. We should see crowding out effects: previous policies or issue take precedence over the “new social risk” at hand. Legislative priorities should be towards austerity and balancing the budget. There should also be signals of the relative importance/a hierarchy of policy priorities with investment in human capital being a lower level priority. A good example would be if policy reports in the adoption phase states that investment in human capital is an important policy aspect, and yet, this element is neglected or missing from the final policy. What are the other salient policy issues at that time? What percentage of GDP do they occupy? What issues are dominating media coverage? How do actors speak about the issue? What metaphors and language do they use when discussing policy trade-offs and constraints to decision-making? How is the policy issue of youth unemployment defined? Look into proposed policy solutions in reports and reactions to these propositions. Look into the rhetoric around the issue. Look at how policymakers frame the question/issue. There should be signs that expensive policy solutions are seen as a continuation of the problem or unfeasible solutions.</p>
<p>Recommodification</p>	<p>A restriction of alternatives to participation in the labour market, either by tightening the eligibility criteria or cutting benefits.</p>
<p>Recalibration</p>	<p>Reforming existing policies in order to make contemporary welfare states more consistent with contemporary goals and demands for social provision. This can occur via:</p> <ul style="list-style-type: none"> • Rationalization: that is maintaining existing policy objectives, but modifying policies/programs to render them more effective. • Updating: that is to update existing programs to new needs, meaning taking an existing structure and modifying (broadening/narrowing/changing altogether) the objectives.
<p>Disqualifying measures</p>	<p>If budgets and fiscal constraints are not mentioned in legislative debates, policy proposals, or a salient dimension of the policy issue at all. If fiscal constraints are recognized/acknowledged and subsequently overridden (i.e.: the long-term investment is deemed worth the cost).</p>

Disqualifying signatures	If left-wing parties adopted their preferred policy choice despite the presence of fiscal constraints.
Activation incentives are used as a low cost alternative for governments at times of high issue visibility, otherwise known as affordable credit claiming.	Although no longer a hypothesis, it does present interaction effects with other variables and is important to consider. It intimates that the active social policy instrument used will be relatively low costs. Therefore <i>not</i> having high investment and preparation dimensions, more link a band-aid policy. Enforcing constraints, benefit limits, essentially questions or altering perverse individual incentives. Look at how the problem is defined (is the issue that individuals are in incentive traps?). Also, look at how activation is explained as a solution. Is the issue really salient? Look at the media, at electoral preferences, what are the issues of the day? There must be evidence that the cost of a policy is salient. Look into political speeches, legislative debates, and media coverage. Discussion on budgetary constraints. Metaphors or talk about how we can continue at this pace of spending, etc. There should also be evidence that the government uses the policy as credit claiming. How do they frame the solution? To they attempt to shift blame on previous governments or opponents?
Disqualifying measures	If expensive activation policy instruments are adopted regardless of public discontent.

Appendix 3

A.3 Process Tracing Evidence Grill

.3.1. Process Tracing Evidence Grill

Table A.6: Process Tracing Evidence Grill

Policy Learning	
Determine is dissatisfaction with the status quo:	What was the definition of the policy problem? Look into electoral platforms, media reports, internal and external documents, interviews.
Determine the level of uncertainty:	What is the policy problem and the policy solution? Are the coherent, meaning is there a clear trajectory toward the policy goals, or does this change? Look for requests for information, citing and/or meeting with other (outside) actors.
Determine if there is a search for alternatives:	Look for requests for reports, participation in meetings and conferences, benchmarking, citation of and contact with the OECD and EU
Determine if there is an evaluation of the policy alternatives to the current context:	This may include policy experimentation (small scale at first and requests for evidence reports), debates in parliament, the media and elsewhere, and modifications to the proposed policy.
Coalition formation	
Scope condition:	Determine if the case is on in which there is strong or weak dualization.
Determine if actor preferences align with hypotheses	Specifically analyze party and social partner platforms, press releases, alignment with think tanks is another means of determining preferences.
Exclusive trade unions:	Negative financial incentives (demand- and supply-side) to enforce existing advantages.
Encompassing trade unions:	Positive financial and human capital incentives (demand- and supply-side).
Skilled workers:	None, however second order preference for negative financial incentives if they are also insiders to enforce existing advantages.
Unskilled workers:	Positive financial and human capital incentives (demand- and supply-side).
Skilled outsiders:	Positive financial incentives (demand- and supply-side).
Employers (skilled and unskilled):	Negative supply-side financial incentives (increased labour search incentives) and positive demand-side financial incentives (subsidized employment).
Employers (skilled labour):	Positive human capital incentives (demand- and supply-side).

Right-wing parties:	Negative supply-side financial incentives (increased labour search incentives).
Left-wing parties:	Positive human capital incentives (demand- and supply-side).
Determine if they are proactive, consensual or antagonistic towards the adopted policy:	<p>use press releases, meeting minutes, parliamentary debates and interviews.</p> <p>Look into the negotiation phase (who met with whom, when), what was each actor's position at the time of negotiation, would we expect them to win or lose based on their power resources and the hierarchy of their preferences, and did they win or lose the negotiations?</p>
Feedback effects	
Translate overall changes into three categories: cost-containment, recombination, and recalibration (rationalization or updating).	
Determine if fiscal constraints were an issue:	Look at the debt-to-GDP ratio, look at media reports and parliamentary debates to ascertain whether or not expenses were salient
Determine if crowding out is a probability (previous policy effects and agenda):	Look at the policy agenda and how political capital was mobilized at that time.
Determine if the activation incentives adopted were low-cost:	This is more difficult to ascertain, look into alternative policies and commentary by other groups on level of investments.