Radical long-term care change and social democratic loss in the Netherlands: connecting institutional change, political processes, and electoral outcomes

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Chapter 6
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Introduction

Kees van Kersbergen has written extensively about the phenomenon of the welfare state, including the role of political parties (Christian-Democracy and Social-Democracy), gender structures, and reform and retrenchment policies. In this chapter, we will build on his analysis of retrenchment, extending the debate of Hemerijck and van Kersbergen (2019), who argue that transformative change is easiest in consensus democracies. Our analysis confirms their conclusions by showing that corporatist politics not only leads to incremental change but also to radical welfare state reform and extends these conclusions to the field of healthcare – a sector not incorporated in their analysis.

We will analyze how welfare state reform is not only a matter of implementing institutional change and the political interests that play a role during this process, but also of the political input and outcome that take place before and after the process of change. We will illustrate this thesis with a case study of radical reform in the Netherlands, the case of the decentralization of long-term care, connecting political practice and theories on political and institutional processes of welfare state change.

The authors of this chapter have both previously studied welfare reform, particularly in a Dutch context (Bussemaker and van Kersbergen, 1999; Goijaerts, 2022). Goijaerts is working on a PhD that integrates health and healthcare in social policy research (Goijaerts et al., 2022). Bussemaker is professor of policy, science and societal impact, but is also a former MP, former deputy minister of health and former minister of education for the Dutch Labour Party. As

such, this analysis does not only build on academic knowledge, but also on experiential practice.

Various theories of reform and retrenchment

In the comparative political economy literature, two broad accounts of institutional change exist. The one account argues that institutions are inherently stable but that, at rare times, this institutional stability is broken by an exogenous shock causing a radical change. The other account argues that institutions are constantly changing incrementally and that these changes should not be disregarded as minimal but in fact, together, amount to radical institutional change.

The literature that emphasizes institutional stability has based its argument around the concept of path dependency. Once an institution is built, it is very economically, politically and/or administratively costly to change the institution. Institutional change does take place but only rarely and as a consequence of an exogenous shock, called a critical juncture. Already in the 1990s, Paul Pierson (1996) observed that the politics of welfare state retrenchment are inherently different from the politics of welfare state expansion. Pierson (1996: 143-144) summarizes the difference between expansion and retrenchment as follows: 'Welfare state expansion involved the enactment of *popular* policies in a relatively undeveloped interest-group environment. By contrast, welfare state retrenchment generally requires elected officials to pursue *unpopular* policies that must withstand the scrutiny of both voters and well-entrenched networks of interest groups'. Indeed, retrenchment is characterized by a *negativity bias*. Individuals show a stronger negative feeling towards losing the things they have than a positive feeling towards gaining something new of an equal value (1996: 146). Furthermore, the losses of retrenchment are often more concentrated and tangible, whereas the gains are often diffuse and uncertain (1996: 145).

What is new in the politics of welfare state retrenchment as a result of the changing policy goals and context is the disparity between politicians' 'policy preference and their electoral ambitions' (1996: 146). New political strategies thus need to be developed to make these two compatible. Pierson (1996: 147) argues that the new politics of the welfare state is a politics of *blame avoidance*. Strat-

egies of blame avoidance are lowering the visibility of reforms by making the effects of policies hard to detect or by making it hard to trace responsibility for the policy changes, seeking broad consensus on policy reform to spread the blame and mask the responsibility or playing off one interest group against another and compensating the politically most crucial groups (1996: 147). Pierson (1996: 174) concludes that, in general, 'it is [hard] to find *radical* changes in advanced welfare states'. Retrenchment is pursued extremely cautiously using political strategies of consensus building and trimming existing structures rather than changing policy programmes radically.

The second account of institutional change manifests itself as a critique on the notion of institutional stability interrupted by critical junctures. Instead, the counterargument states that incremental changes should not be ignored since 'incremental processes of change appear to cause gradual institutional transformations that add up to major historical discontinuities' (Streeck and Thelen, 2005: 8). In this literature, the process of change, which may be incremental or abrupt, is distinguished from the results of change, which may amount to either continuity or discontinuity (Streeck and Thelen, 2005: 8). In other words, incremental processes may lead to radical change of the welfare state. Streeck and Thelen (2005) categorized incremental institutional change into five types: displacement, layering, drift, conversion, and exhaustion.

Bruno Palier (2007) studied the changing French pension system as a least-likely case for radical policy change and found that incremental radical change was in fact taking place in the French pension system. He therefore reached a conclusion opposite to Pierson's, namely that radical change is possible despite path-dependent forces of the welfare state. In the French case, change took place in four sequences. First, actors share a diagnosis, which challenges the instruments chosen in the past. Second, the new instruments are chosen in opposition to the past. Third, the new measures are adopted on the basis of an ambiguous, even contradictory, agreement. Palier's tracking of the process of change focused on the invisible changes of ideas and logic rather than the visible changes of power resources and policies. The indicators used by Palier are the type of discourse and framing of the policy problems and solutions. He found that the changes in the pension system were spurred by

ambiguous policy frames (2007: 100): 'Vagueness surrounding the meaning of these measures and divergent interpretations of the solutions adopted do not appear to be parasitic on clear, rational action, but lie right at the very heart of their political functionality'. Finally, Palier found that the *layering*, as described by Thelen (2003), of the new pension instruments led to cumulative change and a profound transformation of both the logic and the structure of the pension system (Palier, 2007: 102).

What can be discerned from comparing these two accounts of institutional change is that politics plays a different role in both accounts. Welfare state stability is caused by blame avoidance – the lack of willingness of politicians in power to cut popular measures, thereby risking electoral loss. Incremental welfare state change, however, is caused by consensus politics – forging agreement on the basis of ambiguous frames. Hemerijck and van Kersbergen (2019) have similarly drawn a connection between institutional change literature and political characteristics. They connect institutional change to processual mechanisms and electoral institutions, showing that consensus democracies are more prone to long-term-oriented reform and social investment change. They argue that 'consensus democracies based on proportional representation, coalition governments, and – not to forget – social partnership, allow for negotiated and long-term-oriented reform compromises, which can ensure that the costs and burdens of intrusive long-term-oriented social investment reforms are fairly shared' (Hemerijck and van Kersbergen , 2019: 52). These institutional features help to solve the problem of temporal commitment in democracy through processual mechanisms. Hence, consensus democracies are better equipped than majoritarian systems to implement social investment reform, even if these reforms break with historical legacies (Hemerijck and van Kersbergen, 2019: 59).

This conclusion might make sense if we look at the way decisions are made about reforms and the way they are implemented. However, the question is what the consequences might be in the long run for the political parties involved. There may be a an interaction between implementing institutional change and the political interests that play a role during this process, and the political input and outcome that take place before and after the process of change.

With respect to this question, it us useful to refer to the responsiveness/responsibility dilemma, as formulated by Peter Mair (2009). Governing for the long term by implementing radical welfare state reform (responsibility) can lead to decreasing electoral popularity (responsiveness). Political parties in modern democracies have the double function of representing the interests of their voters and, at the same time, governing the state. Peter Mair argues that the tension between these two demands has increased as it has become more difficult to reconcile them. The principal of the principal-agent relationship is similar in prospective responsiveness and retrospective accountability, namely the parliament and the voters. What makes the relationship between responsiveness and responsibility incompatible is the fact that in the case of responsibility, there are a host of different and sometimes competing principals, namely the central banks, autonomous controlling bodies, the courts, the European Commission, and so on. It is particularly difficult for the agent government to reconcile the interests of both principals (2009: 13).

Moreover, the political landscape has become more fragmented (and it has therefore become more difficult for governments to read voter preferences and to align voters behind their policies), while the institutional environment for governing has become more complex (governments find themselves to be more constrained by other agencies and institutions), making it harder for political parties to represent and take responsibility at the same time. In addition, governments are constrained by legacies inherited from earlier governments. Consequently, political parties used to be able to bridge this division between responsiveness and responsibility, but it is not conceivable today for parties to be able to persuade voters on side through partisan campaigns and appeals to partisan loyalty (Mair, 2009: 13-15). Parties that are busy governing have less room for partisanship and often act depoliticized during their governing period. In response to these developments, parties that distance themselves from governing – such as the populist parties – take up the responsiveness role forcefully but rarely take governing responsibility: 'In other words, there is a growing bifurcation in European party systems between parties which claim to represent but don't govern and those which govern but no longer represent' (Mair, 2009). We want to illustrate how, in the Netherlands, a process of smooth welfare

state reform led to an historic loss for the social democrats, thereby reinforcing the dilemma between responsiveness and responsibility in the Dutch political climate.

The Dutch case: Long-term care reform and electoral loss

Healthcare reform deserves more attention in welfare state research since it is not only one of the big spenders in welfare states, but also one of the most appreciated services among the electorate. Hence, reform is very necessary and very hard at the same time. The Dutch welfare state – including the healthcare system – has been known for a long time as very generous. The Dutch healthcare system has experienced two main reforms in the last decades. In 2006, the government initiated a universal mandatory care insurance scheme for curative services, the Health Insurance Act. The act introduced universal coverage for the entire population and market incentives: Supply and demand of healthcare became a matter of negotiation between private health insurance companies and private health providers, both restricted to legal state arrangements. Because of the market incentives, the social democrats voted against. In the same period, other care policy programmes were being reformed. In 2007, the Social Support Act was initiated, which provided a framework for social and community support. Municipalities carry the responsibility for the Social Support Act, so this is a decentralized policy. All major parties, including the social democrats, voted for the new act. It was regarded as a promising perspective to connect citizens and welfare provisions in close proximity (Bredewold et al., 2018).

In 2015, this reform was expanded by a huge reform of long-term care arrangements (LTC), but also youth care and social assistance from state level to municipalities. The central notion behind the reform was that local governments could determine more customized solutions and stimulate reciprocity between state and citizens, summarized in a frame of a 'participation society'. The reforms were accompanied by cutbacks, based on the notion that local customized solutions should be cheaper – a clear example of retrenchment. The two reforms from 2006/7 were respectively prepared by a right-wing coalition government and implemented by a right-wing coalition (Health Insurance Act) and a coalition of Christian democrats and social democrats (Social Support Act). The radical 2015 reform was

prepared and implemented by a government of liberals and social democrats (Rutte II, VVD-PvdA, 2012-2017). We will focus on the last reform.

The 2015 reform took place in a context of financial austerity and a dynamic political climate. In the aftermath of the financial crisis and in the midst of the Euro-crisis, the government was faced with severe budget cuts. The Labour Party became the second-largest party of the Netherlands with 38 seats in parliament, right after the Liberals led by Mark Rutte with 41 seats. After a campaign in which both parties campaigned against each other, being each other's natural enemies, they were forced to collaborate after the elections. The severe economic crisis did not allow parties any form of delay, and combined with a good chemistry between the two party leaders, the election outcome resulted in a Lib-Lab government, formed in six weeks, an exceptional record in Dutch history. Spurred by the dynamics of ageing populations and changing social and familial structures, the retrenchment of long-term care had a high priority on the agenda.

It is in this context that the old LTC scheme – the Exceptional Medical Expenses Act – was finally dissolved. Since January 2015, the part of the old scheme that concerned medical treatment and nursing has been transferred to the main health insurance scheme. The part of the old scheme that concerned social support and participation has been transferred to the Social Support Act. Municipalities are responsible for the Social Support Act, so this part of the old LTC scheme has been decentralized. Only the care services for the most vulnerable people are still insured in an insurance scheme, the new Long-Term Care Act. The tendency that had been playing out for several years to 'reduce the scope of the provisions covered by the national [long-term care] insurance system and allocate them to domains of social policy governed by less solidaristic, more discretionary and subsidiary principles' came to full completion in 2015 (Da Roit, 2012: 8).

Let us see how we can understand the retrenchment of long-term care in the Netherlands in terms of institutional stability versus incrementalism and the connected dilemma of responsiveness versus responsibility. If we try to explain the reform with Pierson's framework, we can only conclude that his argument does not hold here.

First of all, the retrenchment of the Dutch LTC is hardly an example of cautious trimming of existing structures (Pierson, 1996: 174). The radical restructuring of LTC systems, not only in the Netherlands, but also across Europe, contradicts his resilient-to-reform argument. In a study of LTC systems in six European countries, including the Netherlands, Pavolini and Ranci (2008) found that LTC used to be organized either according to the informal care-led model or according to a services-led model, but in face of new social risks, all countries are converging towards a mix of these models. This is specifically true for the Netherlands as the services provided through the old scheme, which had existed for almost half a century, were scattered among three new schemes, each with a different logic (the Health Insurance Act with its mandatory health insurance and market elements, the Social Support Act with a decentralized scheme of informal care and the Long Term Care Act as a very reduced form of the old LTC scheme). Hence, the radical reform of LTC schemes is not a response to a particular critical juncture, but instead to more incremental societal developments such as demographic ageing.

Also Pierson's argument about blame avoidance does not hold here. At first sight, the Lib-Lab government might seem to be a perfect example of coalition building to avoid blame: right-wing and left-wing opposites implementing retrenchment. However, a closer look shows us that this is not true, at least in so far that this coalition was not a necessary condition for the implementation of these policy changes. Governments from the 2000s onwards had already been working on adaptation of the Exceptional Medical Expenses Act (SER, 2008: 22). By the time new elections were held in 2012, there was a certain social consensus about what needed to be done to make the Exceptional Medical Expenses Act more sustainable. Both the Liberal Party and the Labour Party had similar plans to restructure the Exceptional Medical Expenses Act in their election programmes (VVD, 2012; PvdA, 2012). Both parties wanted to dissolve the old LTC scheme, both parties were emphasizing the separation of costs for care and accommodation (one of the major problems associated with the old scheme), and both parties were looking at the existing Health Insurance Act and Social Support Act for solutions. The differences between the two parties were typical lib-lab differences: the more conservative oriented Liberal Party wanted

more market elements and less redistributional elements and vice versa (VVD, 2012; PvdA, 2012). The reason that these radical changes were not implemented earlier is that the Health Insurance Act and Social Support Act had only recently been implemented. As it took time for administrative actors to implement both these reforms and these care schemes were a vital part of changing the old scheme, it is not so surprising that it took some extra years before the LTC system could be radically changed. This means that the reason the old scheme was dissolved by the 2012-2017 Lib-Lab government is not so much a matter of coalition building, but rather a matter of timing. The reform of the Dutch long-term care is all together best understood in terms of a system built on consensus and an incremental process with radical change as a result, which is similar to Palier's analysis of the French pension system. The investment in consensus firmly contributes to a transformative change, while a financial crisis may work as a catalyst.

On this point, the analysis of Hemerijck and van Kersbergen is helpful. Where, from the perspective of Pierson's theory, we would expect that interest groups of specific policy packages would use their power to stop these radical changes (which did not take place), with Hemerijck and van Kersbergen's approach, we can state that the reform was compatible with the political culture in conservative-corporatist welfare states. Corporatism is a very important element of Dutch political culture. Union representatives, business representatives, advisory councils; they are all asked for counsel before policies are being reformed. As mentioned earlier, Dutch governments began asking for counsel in the 2000s. Both the independent advisory Council of Public Health and Care (RVZ) as the Social-Economic Council (SER), representing both labour and business, advised the government in 2008 to reform the old LTC scheme in a radical manner, either by a total abolition (RVZ) or a radical transformation (SER) by transferring parts of services from the old LTC scheme to the Health Insurance Act and the Social Support Act, leaving a core LTC scheme for the weakest chronically ill groups (SER, 2008: 85, 123). As one of the authors was the deputy minister of health by then, we can add that this advice was asked on purpose to create a support base and consensus compatible with the domi-

nant political culture.[1] The final dissolution of the old LTC scheme was thus stooled on broad social consensus reached after years of making strategic agreements in which different interest groups were represented, which makes this a perfect illustration of corporatist political culture. As a consequence of the social consensus, there was no need to make the policy changes invisible.

Conclusion

In times of economic hardship, it may be easier to openly and visibly take radical measures and, thus, take responsibility for the development of the welfare state. In times of economic hardship, the bridge between responsiveness and responsibility may be mended by appealing to voters' understanding of unpopular measures, as the Lib-Lab government 2012-2017. Moreover, the Dutch case on long-term care emphasizes the findings of Hemerijck and van Kersbergen (2019) that long-term reform is more likely in consensus democracies based on proportional representation, coalition governments, and – not to forget – social partnership.

So far, the conclusion might be positive about the role of political parties taking responsibility. However, we should not only look to the decision- making process of reform and its implementation, but also to the consequences for the long run for the political parties. While the Liberal Party did quite well in the 2017 elections (led by former MP Mark Rutte, since 2022, the longest-serving Dutch prime minister ever), the results for the Labour Party were disastrous, and the presence in parliament shrunk from 38 to only nine seats. Even though the government and its ministers were praised in the public opinion for their courage and resolute implementation of radical reforms that were deemed necessary by public institutions, the voters punished the Labour Party in a way that has never occurred before. To put it in terms of the Mair, we might say that this is an exemplary case of a party taking responsibility but losing responsiveness to its voters. Thus, consensus politics do not withhold the electorate of being very critical in hindsight, making the responsibility vs responsiveness dilemma even more dynamic. The Dutch case shows that by taking responsibility, political parties can suffer immense electoral

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1 This basic elements of this SER report would be implemented by government seven years later.

losses, leading to more hesitation to govern for the long term on part of political leaders for the future. Indeed, still afraid from the dramatic consequences of reform policies for the Labour Party in 2017, the governments Rutte III and Rutte IV (both without the Labour Party) tried to govern without taking risks. Finally, internal political differences broke the political coalition, leading to new elections in November 2023. Hence, we conclude that Hemerijck and van Kersbergen's (2019) argument might be expanded by including the feedback loop of electoral outcomes on institutional change and political processes.

To rethink the consequences in the long run for European social democracy and consensus policies in general, and the Dutch Labour Party more in particular, we need more Kees van Kersbergens. While many academics are inclined to specialize in specific topics or theories, van Kersbergen's trade has been to combine general knowledge of political parties, welfare institutions, consensus democracies and international comparisons with in-depth analysis. His contribution is therefore extremely helpful in making sense of the complex mechanisms of the political-social world.

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