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# 1

## Introduction: From the Emergence to the Dynamics of Welfare Markets

Clémence Ledoux, Karen Shire,  
and Franca van Hooren

### 1.1 Introduction

Since the 1980s, ideologies orienting welfare reforms in many European countries support replacing state provision with market-based and private provision of welfare (Taylor-Gooby 1998). Despite over 30 years of

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such reforms, welfare states have far from disappeared. Instead, the role of the state and the nature of welfare policies have changed. Welfare states have developed competition, separated the functions of providing and funding welfare goods and services (Le Grand 1991), created and subsidized the development of markets, and imbued them with welfare goals (Nullmeier 2001; Bode 2008; Gingrich 2011; Köppe 2015; Pieper 2018), examples of which range from the development of school vouchers (Köppe 2015) to cash for eldercare schemes (Ungerson and Yeandle 2007; Da Roit and Le Bihan 2010; Ranci and Pavolini 2013), tax incentives for the payment of household services (Carbonnier and Morel 2015), housing support (Pollard 2011), and private pensions (Hacker 2004; Ebbinghaus 2011). With the establishment of market mechanisms within public policies, social policies, ironically, use these to protect against market risks (Köppe 2015), and contrary to Esping-Andersen's original claims, social politics no longer appear *against* markets (Esping-Andersen 1985), but instead *with* markets (Leibfried and Obinger 2000; Pieper 2018). The concept of welfare markets, rather than being an oxymoron, has been adopted to characterize these transformations and to go beyond the opposition between market/non-market spheres in the analysis of the different interpenetrations between market mechanisms and welfare states (Bode 2008; Gingrich 2011). The contributors to this volume agree on a definition of welfare markets as politically shaped, regulated, and state-supported markets, which provide social goods and services through the competitive activities of non-state actors.

We begin to build a conceptual basis for studying the dynamic development of welfare markets by drawing on research in the sociology of markets and political economy focused on the emergence of market structures generally (Beckert 2009; Aspers 2011; Ahrne et al. 2015), and adapting these perspectives to the specific dimensions shaping *welfare* markets. From these perspectives, market making is a dynamic process, involving not only top-down policies and rules, but also changes in normative understandings of the meaning of what is exchanged, and agreements on how markets work. The aim of this book is to examine these dynamics, in relation to how European welfare markets have developed since the 1990s. We do so from an explicitly actor-centred perspective, focusing not only on the state and private sector (including profit and non-profit organizations), domains of action which are in part already well covered in the

welfare market literature, but also on the perspectives of consumers, users,<sup>1</sup> and, where applicable, workers delivering services exchanged in welfare markets. Though in all cases, new policies are highly significant events in the creation of welfare markets, a central thesis of the contributions to this book is that welfare markets develop not only out of state policies, but are also significantly shaped by the practices of welfare recipients, who are often transformed into consumers of private goods and services, and by workers and their employers in the emerging welfare service industries.

The contributions in this volume aim at filling the gap in understanding welfare market *dynamics* through an action-centred approach to welfare *marketization* as a process of institutional change. Following Mahoney and Thelen (2010), we emphasize how the way in which state policies are implemented and interpreted by actors involved in the market exchange of welfare contributes to layering welfare markets onto existing welfare institutions, or to displacing earlier forms of state or other types of welfare provision. The analysis of the dynamics of welfare markets focuses on continental and Scandinavian European countries, which began to legislate welfare market instruments in the 1990s, later than most countries classified as liberal-market welfare states. Two cases of welfare markets comprise the empirical focus: private pensions and home-based domestic/care work (see below for an elaboration of our choice of cases). The analysis covers multiple levels of European and national politics and markets, and the impact of cross-national differences in welfare states on market dynamics, covering countries often classified as conservative or familial welfare states, as well as social-democratic, and Eastern European welfare states. The breadth of country cases and types of welfare states contributes to analysing regional differences in welfare market dynamics.

This introductory chapter begins with an interrogation of the nature of markets in general (Sect. 1.2) before analysing the specificities of welfare markets (Sect. 1.3), the instruments which structure them (Sect. 1.4), and their outcomes (Sect. 1.5). We then discuss the theoretical significance of new sets of actors, and their agency for the dynamics of welfare markets (Sect. 1.6), the two fields of private pensions and home-based domestic/care services (Sect. 1.7) and finish with the contributions of each of the chapters (Sect. 1.8) and the knowledge generated by this volume for understanding the dynamics of welfare markets outside of the traditionally liberal-market welfare states (Sect. 1.9).

## 1.2 Definition of Markets

Markets have been defined very differently across economics and the social sciences. We draw on the new sociology of markets, which defines a market as a social interaction which produces “a social structure for the exchange of rights in which offers are evaluated and priced, and compete with one another, which is shorthand for the fact that actors – individuals and firms – compete with one another via offers” (Aspers 2011, p. 4). This definition highlights the competitive nature of market exchanges, thus defining markets as present, in the words of Max Weber, “wherever there is competition, even if only unilateral, for opportunities of exchange among a plurality of potential parties” (Weber 1978, p. 635). Market exchanges may involve individual or organized actors and are distinguished further by their voluntary nature. Market exchanges can “transcend the boundaries of neighbourhood, kinship, or tribe” and give the possibility for people who did not know each other before to buy and sell goods or services (Weber 1978, p. 637). Herein lies the source of uncertainties in market exchanges, which must be solved in order to establish a stable market order (Beckert 2009; François 2008; Aspers 2011). As Beckert (2009) argues, the competitive and voluntary nature of markets presents market actors with coordination problems, which actors eventually seek to solve through embedding exchanges in (non-market) macrostructures. These structures include formal and informal institutions which take the form of rules, norms, and shared understandings of what a market is about and how it works (see also Fligstein 2001; Aspers 2011).

Market uncertainties are not solved in a day, if ever. Aspers introduces a dynamic concept of markets, differentiating between ways in which markets are created, and stages through which they develop, possibly ending in a consolidated market, but also possibly failing (Aspers 2011; Ahrne et al. 2015). In the market theory of Fligstein (2001), markets are established through political struggles between market actors, who eventually align their interests and develop shared cultural understandings about the market. The development of a market culture is also central to Aspers’ dynamic theory of markets, as he sees the establishment of a market culture as the development of a common understanding about what the market is about, and how things are done in a specific market (Aspers

2011). The sociology of markets also points to the need for shared understandings about what is commodified, that is, about which objects can be legitimately produced for sale (Engels 2009). Once objects are produced for sale, a number of issues remain in determining their value, a process rendering them comparable to other objects and exchange currencies (Beckert 2009; Engels 2009).

Welfare markets do not arise spontaneously but are organized, and almost by definition, state-organized and publicly governed. From a sociological perspective, which always sees markets as embedded in macrostructures and institutions (in the form of rules, norms, and shared understandings), the *public* governance of welfare markets is not unusual. Shifting the focus of research to the dynamics of markets does, however, raise the question of how welfare markets, once initiated through state policies, develop through the agency of market actors.

In the next section, we focus on the specificities of the market exchange of welfare and begin to outline the specific goals of this volume in studying the dynamics of welfare markets.

### 1.3 Welfare Markets

Welfare markets have introduced “competitive spheres in the institutional provision of social welfare” (Bode 2008). Over the last 30 years, European welfare states have turned increasingly to market mechanisms for the provision of welfare. Local, national, and/or European political authorities contributed to different policy instruments to generate competition, and to create and regulate these markets (Bode 2008; Gingrich 2011; Köppe 2015; Crespy 2016; Crespy, Chap. 3; Bitinas, Chap. 11). Previous research pointed to the emergence of quasi-markets (Le Grand 1991), where the state becomes “a funder, purchasing services from a variety of private, voluntary and public providers, all operating in competition with one another” (Le Grand 1991, p. 1257). Our conceptualization of welfare markets overlaps partly with Le Grand’s understanding of quasi-markets, but there are also key differences. By defining welfare markets as politically shaped, regulated, and state-supported markets, which provide social goods and services through the competitive activities of non-state

actors, we exclude those forms of quasi-markets that consist only of competition of the new public management type, within and between state organizations. Instead, our focus is on markets involving non-state and private actors. Contrary to the quasi-markets concept, welfare markets include markets in which the state is not the purchaser of welfare goods or services, but instead subsidizes non-state market actors in order to give them the possibility to exchange welfare services or goods.

We follow an open definition of what constitutes social goods and services, which can be identified as such either by the functions they perform or by the fact that they are considered as such by the actors involved. In both cases, social goods and services are concerned with the social security of individuals and the social reproduction of society.

As politically shaped and regulated markets providing social goods and services, welfare markets are closely related to the welfare state and its different public policy instruments. In certain cases, welfare markets have been added as an additional layer onto more traditional policies, such as the introduction of a private pension scheme next to statutory public pensions. In other cases, welfare markets have replaced existing public provisions, or developed parallel to familial activities, as has often been the case with welfare markets for care services.

Studies of welfare markets in sociology and political economy have been very prolific in analysing the emergence of market structures and the rapid and ‘external shocks’ affecting markets, for example, economic crises. Existing work on welfare markets has underlined how institutions of the welfare state have played a central role in reorienting citizens to the market for protections that had traditionally been provided by families or social policies. Several studies have underlined the coherence between welfare state regimes and welfare market regimes (Köppe 2015). The role of agency in the rise of welfare markets has also received attention in some studies (Gingrich 2011; Meagher and Goodwin 2015; Crespy 2016; Pieper 2018), as have the cultural dimensions of welfare markets (Bode 2008).

Yet, few studies have systematically analysed how welfare markets develop once created, and/or the consequences of different developments for the actual provision of welfare. In this volume, we focus on what *happens after* states initiate welfare markets. Aspers’ phase model of market

development (2011) distinguishes between an initial period of organized introduction of a market and the contraction of a market around a specific set of actors supplying and demanding a good or service defining a specific market and sharing the rules, normative orientations, and understandings of what the market is about and how exchanges are conducted. We argue that an actor-centred focus which includes non-state as well as state actors is key to understanding how welfare markets grow and operate, who gains market access, uncovering the informal as well as formal dimensions of rules governing exchanges, their monitoring, and the sanctioning of misuses. Subsequent and reactive responses of states to re-regulate or alter welfare markets are also part of this focus.

To analyse welfare market dynamics, we first need a set of shared conceptual tools to characterize welfare market institutions and outcomes. The subsequent sections of this chapter describe these tools, used in all contributions in the book, and preview the kinds of dynamics, which can be associated with various institutional set-ups. The shared conceptualizations used throughout the book render the dynamics of highly diverse welfare markets, most of which emerged in the 1990s, and in the subsequent three decades have undergone considerable reform, intelligible and comparable.

## 1.4 Policy Instruments Structuring Welfare Markets

In his classic welfare regime typology, Esping-Andersen (1990) distinguished between three providers of welfare: the state, the family and the market. When welfare is provided by the state, the state directly provides insurance benefits (such as pensions benefits) or services (such as care services). There is no competition among providers, because the state is the provider. In the two other alternatives, the state is in principle not involved, since welfare is provided either by the family, meaning that families provide income security or care, or by the market, meaning that individuals have to purchase care services or insurance benefits on the market.<sup>2</sup>



According to the definition we use in this volume, a market becomes a *welfare* market when the state is involved in initiating, regulating, financing, and/or communicating (about) a market where the goods and services exchanged are defined by the actors or researchers as *welfare* goods and services. As such, it can be seen as something in-between ‘pure’ state or market provision of welfare.

With the policy instruments of welfare markets, we refer to the way in which the state organizes welfare markets. We distinguish three key sets of instruments (see Table 1.1 below). First, instruments that regulate the financing of the consumption or production of welfare goods and

**Table 1.1** Policy instruments structuring welfare markets

Type of policy instrument	Main options	Explanation
Financial	Demand side: client receives cash allowance	The state finances clients to enable them to purchase welfare goods or services on the market
	Demand side: client receives fiscal benefits (e.g. tax break)	The state creates tax incentives to encourage clients to purchase welfare goods and services on the market
	Supply side: private provider or welfare workers involved in the production of welfare goods/services are subsidized	The state subsidizes the price of services by private providers and/or the wages of welfare workers
Regulatory	Coordinating exchange	These instruments help to make sure welfare goods and services are paid to the seller and provided to the buyer
	Standards	These instruments help to define and evaluate the quality and limit the cost of the welfare goods and services produced
Informational	Communication campaigns, or platforms, administrative agencies	These instruments help to develop a welfare market culture and to legitimize the commodification of welfare goods and services

services; second, policy instruments that aim to secure the exchange and guarantee minimum quality standards, for example, through certification; and third, policy instruments used to communicate information about welfare markets.

### 1.4.1 Financial Instruments

The financial instruments of welfare markets either remove the state from the provision of welfare goods and services or introduce private provision in addition to, or competing with, state provision. The aim of financial instruments is to stimulate the development of a market for benefits or services. Among the various ways in which states can finance welfare markets, a key distinction is the choice to support either the demand side or the supply side of the market. Both instruments often “blur the lines between public and private” (Gingrich, Chap. 2).

When states finance the supply side, that is, by subsidizing organizations or the costs of service workers, private providers either compete with each other for public orders or receive funding based on the number of clients they serve. To comply with European Union competition law, such competition is often organized through public tenders. The financing of welfare providers requires the development of financial expertise among both public officials and the participating providers. States can also finance labour costs directly, by subsidizing wages or reducing social contribution obligations of employers.

States can finance the demand side by directly subsidizing welfare clients, through cash transfers or tax breaks/credits, with the aim of enabling them to purchase welfare services or goods. A cash allowance means clients receive a cash transfer with which they can purchase a service. In this case, they can easily trace a relation between an outcome (their use of a welfare service or good) and some governmental action. The goods and services that are purchased can vary from a place in a child care centre or home care provided by a care assistant to participation in a voluntary pension scheme. Cash allowances have become prevalent across the home-based services sector (Evers et al. 1994; Ungerson and Yeandle 2007; Da Roit and Le Bihan 2010; Ranci and Pavolini 2013), for

example, in the form of cash-for-care benefits in German long-term care insurance or child care subsidies paid to parents in France and the Netherlands (Apitzsch and Shire, Chap. 13; Ledoux et al., Chap. 12; van Hooren, Chap. 14; Cartier, Chap. 15). For pensions, state subsidies have been developed for voluntary personal pensions like the *Riester* scheme in Germany (Nullmeier, Chap. 5; Köppe, Chap. 6; Köppe 2015; Ebbinghaus et al. 2011, p. 137).

Another way in which the demand side of the welfare market has been subsidized is through tax breaks or related fiscal instruments (Howard 1997; Hacker 2002; Mettler 2011; Morel et al. 2018). In this case, clients of welfare markets are subsidized through a reduction of (income) taxation, which makes state support less visible. When the tax refund only occurs ex-post, possibly up to a year after expenses are incurred, the incentives are very different than in the case of direct cash allowances. Tax reductions for home services have been introduced in different countries including France, Germany, and Sweden (Estévez-Abe and Hobson 2015; Carbonnier and Morel 2015; Guiraudon and Ledoux 2015; Hellgren and Hobson, Chap. 4; Ledoux et al., Chap. 12; Shire 2015), but their targets and calculations are different. Tax deductions or exemptions have also been introduced for personal pension plans in Germany and France (Ebbinghaus et al. 2011; Naczyk and Palier 2011; Nullmeier, Chap. 5; Naczyk, Chap. 10). When financing the demand side, public resources can be differentially allocated to populations and it becomes crucial to understand whether the financial dimension is redistributive or anti-redistributive (Gingrich, Chap. 2; Apitzsch and Shire, Chap. 13; van Hooren, Chap. 14).

The precise choice of instrument has a pronounced impact on the way in which a welfare market develops as well as on the politics of welfare markets. For example, when states directly subsidize providers, they can control them better than when they support the demand side. When cash allowances or tax breaks are provided conditionally on the actual purchase of a service, the state retains greater control over the types of services that are provided in a welfare market. When cash allowances are paid irrespectively of whether or not a service is purchased, the emerging market becomes much more diffuse. In terms of politics, fiscal instruments like tax breaks are often adopted at a national level and embedded

within annual fiscal procedures. They are associated with a very high level of complexity, and their effects are not easily readable for the wider public. In contrast, direct allowances adopted through different procedures often improve the likelihood of coordination by local authorities. Given these complexities, fiscal instruments are identified as being part of a “hidden welfare state” (Howard 1997; Hacker 2002) or a “submerged state” (Mettler 2011). The technical nature of these instruments often relegates their operation to ‘experts’. While direct allowances usually benefit every person, who classifies as a beneficiary, tax breaks, the costs for which are shared by all tax-payers, only accrue to those claiming them, and may, for that reason, only benefit certain socio-economic groups. Low-income groups, who pay lower taxes, do not stand to benefit as much.

## 1.4.2 Regulatory Instruments

Next to financial policy instruments, welfare markets are also shaped through regulatory activities, including policy instruments, forms of self-regulation, and/or rules negotiated by market actors. We distinguish between instruments that set *minimum standards* for market participation and instruments that *facilitate market exchange*. Markets are often regulated through minimum standards, such as quality criteria for the products that are sold, and criteria for market entry by providers. Standards serve “as a valuation order regarding the offer of the market” (Aspers 2011, p. 113). Although market actors may influence the construction of standards, the state may enforce standards, giving them a coercive dimension. In welfare markets, standards aim to reassure consumers of the quality and reliability of the product or service they are buying. Standards can be set in relation to the education and training of workers, the financial conduct of pension funds, the ratio of staff to clients, and so on. For example, in certain countries like Sweden, Denmark, Norway, Slovenia, France, the Netherlands and Germany, childminders taking children into their own home for care need to obtain some form of certification (Unterreiner 2017; Apitzsch and Shire, Chap. 13). The state can also regulate market entry, by delivering a license to the market

actors authorized to operate. It can also decide which provider of welfare services is publicly financed and which one is not. Such regulation is related to financing but directly concerns the supply. The state can also intervene on market entry on the demand side, by assessing the needs of the consumers who will be subsidized.

Regulatory instruments that aim to facilitate exchange may also be directed towards coordinating the exchange or making it easier administratively. In some welfare markets, institutionalized intermediaries (such as brokers or recruitment agencies) may be charged with coordinating exchanges between sellers and buyers. The private exchange of welfare goods and services may also be facilitated by the creation and use of vouchers, as in education (Gingrich 2011; Gingrich, Chap. 2) and domestic labour. In some cases, these instruments have been conceived to ensure greater freedom of choice and efficiency of production than directly financed state services (Pieper 2018). For example, home-based care vouchers greatly simplify issues of taxation and social insurance declaration related to the employment of care or domestic workers. As such, they aim to make it easier for clients and providers to engage in welfare markets, without having to calculate social contributions themselves.

### 1.4.3 Informational Instruments

Finally, informational policy instruments aim at influencing the welfare market culture and promoting use of the products through discursive or iconographic methods and the diffusion of norms concerning the way people should act in welfare markets. Public actors are central to the regulation of this instrument, as are interest groups that manage to position themselves as experts and also act within the public space. Different campaigns can be launched and rely on different discourses. Administrative agencies may also be created to disseminate information. It is in this context that the new plan aiming to develop household services in France in 2005 was accompanied by a huge national publicity campaign (Jany-Catrice 2015) and that a specific independent agency, the *Agence Nationale des service à la personne*, which was in charge of collecting data, expertise,

and informing the public, was established between 2005 and 2014. Informational policy instruments may be easier to change, suppress, or expand, since their impact may be more difficult to evaluate (Köppe, Chap. 6). Nevertheless, the stream of communication they develop is very important, since it can moderate or strengthen citizens' anxieties or disorientation on the welfare market (see Bode and Lüth, Chap. 7).

As explained previously, policy instruments are not interchangeable and convey specific cognitive frames and relations between organized actors and the public (Hood 1983; Howlett 2010; Lascoumes and Le Galès 2005). Rules and laws have a symbolic function, stating collective values and orienting behaviours, while economic and fiscal instruments have an allocative and incentivizing dimension. The instruments chosen create different resources and constraints for those concerned. Choosing a policy instrument is not neutral and can entail a path dependence related to the policy instrument chosen (Lascoumes and Le Galès 2005).

## 1.5 Outcomes of Welfare Markets

Analyses of welfare state policies typically address the questions: 'who is covered', 'what kind of benefits' or 'how generous'? Using the same theoretical tools as in the analysis of welfare state policies is not sufficient for analysing the contours of welfare markets, in which the interaction of and balance of power between different actors need to be added as an important object of study, as well as the extent to which a market for welfare is commonly accepted. For the former, we rely heavily on Jane Gingrich's work, (Gingrich 2011; Gingrich, Chap. 2), expanding her distinction between productive and allocative dimensions of welfare market outcomes, emphasizing the balance of power and negotiations between different sets of actors in driving the dynamics of welfare markets. The balance of power within welfare markets, we argue, is crucial to understanding the distributional outcomes of welfare states. We expand Gingrich's concept of productive outcomes to include the role of labour in welfare markets, which involve service workers, and by adding discursive outcomes relevant to the acceptance and legitimation of welfare markets (see Nullmeier, Chap. 5).

### 1.5.1 Productive Dimension

Gingrich (2011) distinguishes between a productive dimension and an allocative dimension. Through the productive dimension, she aims to understand who, in practice, controls or dominates the welfare market, thus referring to the balance of power between the state and other actors in the market. Gingrich identifies three constellations: state-driven markets, consumer-driven markets, and producer-driven markets. We refer to these as actor-dominated constellations, rather than actor-driven, to underline how shifts in the balance of power may account for market dynamics. We also add to Gingrich's typology a fourth, labour-dominated type of welfare market, especially important where the provision of welfare services depends on a supply of professional and service labour. While we delineate between the dominance of specific actors, we recognize that, in practice, welfare markets are never completely dominated by any one actor, and understand the typology in Table 1.2 as ideal-types.

In state-dominated welfare markets (*state-driven* in Gingrich 2011), the state plays a strong role in monitoring performance and can steer a market in a preferred direction. This can be the case, for example, when a market is organized through supply-side financing with direct contracting (tenders), provided that contracts can be cancelled or renewed regularly (Gingrich 2011, p. 13). In the case of demand-side financing, a state can maintain a certain level of control through strict standards or highly secured exchange mechanisms. It forces the providers to respond to state requirements. In state-dominated markets, states not only retain control

**Table 1.2** The outcomes of welfare markets

<b>Dimensions of market outcomes</b>	<b>Types of outcomes</b>
Productive	State domination Consumer domination Seller domination Labour domination
Allocative	Universal Selective
Discursive	Accepted Contested

over the quality of the services and benefits that are provided, but also over the costs in terms of state expenditure. The fact that welfare service markets tend to operate locally means that local public authorities are also actors in market-making activities (van Hooren, Chap. 14; Cartier, Chap. 15).

Consumer-dominated welfare markets are markets in which users have effective control. The capacity of consumers to influence markets depends in part on their knowledge of the offers, and a sufficient degree of competition, presenting them with a real capacity to choose between different providers of welfare goods and services, and to exercise a real 'exit' option. Demand-side financing is more likely to lead to a market where consumers exercise control, while regulations providing procedural rights and informational instruments improving the knowledge of consumers about offers enhance their capacities for exercising choice and exit options. Yet, consumer-dominated welfare markets depend on sufficient competition, which means prohibiting the formation of monopolies on the supply/seller side of welfare markets. Moreover, "incentives for producers to respond to users' preferences for high quality production" must also be in place (Gingrich 2011, p. 15). Consumer-dominated welfare markets may lead to a greater emphasis on users' preferences and can also entail an increase in public expenditure (Gingrich 2011). Health care markets where insured persons have a choice (see Blank, Chap. 9) and domestic/care service markets where parents or the elderly purchasing services are empowered to make choices and influence the quality of market services are at least potential cases of consumer-dominated markets, though this depends on the capacities of users to exercise control (Meuret-Campfort, Chap. 8) and collective consumer interest representation (Blank, Chap. 9). Private pension schemes tend to be more state- or seller-dominated (Köppe, Chap. 6) and, in the German case, largely fail to empower consumers to make informed choices (Bode and Lüth, Chap. 7).

In seller-dominated welfare markets (producer-driven in Gingrich), providers have "the room to shape service delivery in line with their own preference" (Gingrich 2011, p. 17). These market constellations can emerge through supply-side financing if the state contracts out services but does not have effective means to control quality, to cancel contracts, or to regularly organize new tenders. Alternatively, welfare markets



dominated by sellers can emerge by way of demand-side financing where users receive direct subsidies but do not have the effective means to assess quality or to change to another provider. Analysing seller-dominated markets also means understanding how businesses and employers' organizations manage to introduce their preferred ways of organizing the welfare market. It becomes necessary, however to sometimes go beyond the doors of national business/employers' confederations in order to understand the preferences, resources, and strategies of sellers (Naczyk, Chap. 10; Ledoux et al., Chap. 12). The German private pension market analysed by different authors in this book is an example of seller-dominated markets, albeit with continual attempts for the state to expand demand (Nullmeier, Chap. 5; Bode and Lüth, Chap. 7; Köppe, Chap. 6). Seller-dominated markets, if unchecked in their power, risk higher costs for either users or the state and lower quality services.

As a fourth type, we add labour-dominated welfare markets, in which service professionals and workers effectively control a significant part of the market. This type is, of course, only relevant where an interpersonal service is exchanged on a welfare market, meaning that labour markets arise within the welfare service market, such as in health care services, private education markets (see Gingrich, Chap. 2), unemployment services, and in this volume, domestic/care services. Welfare labour markets are thus "markets within markets" (Aspers 2011). Yet, labour, unlike other commodified welfare services such as insurance premiums, is not produced for sale, and the dependence of workers on selling their services to secure their own livelihoods creates an inherent imbalance of power between workers as sellers of their own labour power and those who buy their service labour (Shire, *forthcoming*). Moreover, labour markets are increasingly operated through intermediaries, who buy the labour capacities of workers in order to sell it back to clients, effectively shifting the balance of control away from workers and consumers and towards third-party profit-takers. This is especially true for cross-border labour markets supplying migrants to welfare markets. The regulation of intermediaries is a neglected issue in the operation of contemporary welfare markets. Our emphasis in this volume is on the direct engagement of service workers in domestic/care welfare services (Meuret-Campfort, Chap. 8) and the role of interest representation in improving the balance of power between buyers and service workers (Apitzsch and Shire, Chap. 13; van

Hooren, Chap. 14) and the specific problems faced by non-citizen and immigrant labour in welfare service labour markets (Hellgren and Hobson, Chap. 4).

With the exception of highly professionalized welfare services, labour rarely dominates in the dynamics of welfare markets (Hellgren and Hobson, Chap. 4), but in reference to policy instruments, and how they vary across sub-sectors of domestic/care labour (Apitzsch and Shire, Chap. 13; van Hooren, Chap. 14) and cross-nationally (Hellgren and Hobson, Chap. 4), we do find systematic variations in the balance of power between states, sellers, consumers, and workers. In part, this depends on the degree of formalization/informalization in the labour market segments created and shaped by state-policy instruments (Apitzsch and Shire, Chap. 13), the interest and capacities of trade unions, professional associations, and/or migrant rights organizations to represent welfare service workers and mobilize for improving working and employment conditions and to empower the workers for demanding the implementation of their social rights (Cartier, Chap. 15; van Hooren, Chap. 14; Apitzsch and Shire, Chap. 13). State-policy instruments often create new forms of service work, new occupations, new supplies of labour, and new forms of employment (Shire 2015). Where state-policy instruments draw on migrant labour, the effects are usually negative for workers, regardless of the welfare state context (Hellgren and Hobson, Chap. 4). Moreover, the disempowerment of workers does not necessarily lead to a power advantage on the part of consumers (Meuret-Campfort, Chap. 8). Professionalism, as the “establishment of regulatory mechanisms”, when “groups of workers and other actors manage to craft and construe jurisdictional spaces” and professional power (Noordegraaf 2015, p. 131), is neither necessary nor enhanced by marketization (Klenk and Pavolini 2015). Furthermore, in the balance of power of users and labour, vulnerabilities may also lie on the side of service recipients (Meuret-Campfort, Chap. 8).

By bringing labour into the analysis of welfare markets, we introduce the role of trade unions, migrant rights organizations, and professional associations into the study of the dynamics of welfare markets (van Hooren 2018; van Hooren, Chap. 14; Hellgren and Hobson, Chap. 4; Apitzsch and Shire, Chap. 13; Cartier, Chap. 15; Ledoux et al., Chap. 12). As with consumers, collective representation may counterbalance

the power of private enterprises or employers in the control of welfare markets. Collective representation may de-commodify welfare labour markets, for example, by formalizing employment, stipulating social protections for service workers, or by creating quasi-monopolies through professional service licensing and entry barriers into professions. If collective representation and state policies effectively formalize, protect, and professionalize welfare service labour, welfare markets may be labour-dominated. Attention to the role of labour also foregrounds the role of migrant labour. This is a highly prevalent labour force in many European domestic/care sectors, and ties the dynamics of welfare markets to the coordination and regulation of migration markets, issues of citizenship, and the enforcement of labour rights across national borders (Eleveld and Van Hooren 2018; Hellgren 2015; Hobson et al. 2018).

### 1.5.2 Allocative Dimension

The allocative dimension refers to the extent to which goods and services produced by a welfare market are allocated or distributed universally, granting equal access to all users, or selectively, when personal resources and abilities determine access to the costs of welfare market products. Hence, the allocative dimension is related to the classic welfare state comparison of universal vs. social insurance vs. means-tested benefits. In welfare markets, universal allocation occurs, for example, when the state contracts out services or goods, while guaranteeing that all citizens have equal access (see Gingrich 2011 on Swedish health care). By contrast, selective/individual allocation occurs when market providers can select clients (and exclude those that could become more expensive, such as people with a chronic illness), when consumer financing is means-tested, or conversely, when consumer financing is regressive (as is often the case with tax breaks), or when clients have to pay out-of-pocket contributions making services less accessible for some. Besides the price, allocation is also dependent on geographical access to welfare goods and services, and their administrative costs. In the case of labour-intensive services, the availability of services across territories, and determining who covers mobility costs (e.g. for ambulatory care services) affect the allocative dimension. In reference to welfare market regulations, bureaucratic

procedures, and how easily they may be completed for accessing available state financing may also pose obstacles for claiming and accessing market services (see also Meuret-Campfort, Chap. 8).

### 1.5.3 Discursive Dimension

To the productive and allocative dimensions identified in Gingrich's (2011) original typology of welfare market outcomes, we add a third, discursive dimension (Table 1.2). The discursive dimension features prominently in the sociology of markets and refers to how and to what extent markets and their products become politically communicated, legitimated, and socially accepted, as well as focusing on the meanings which actors give to, and the shared understandings that develop about welfare markets (Callon 1998; Bode 2008). Discourses not only convey cognitive and normative dimensions of welfare market institutions, but also have material consequences (Schmidt 2008). By discursively framing the effect of welfare markets, international organizations, the state, employers, unions, experts, other civil society and market actors inform and shape the national public debate (see Bitinas, Chap. 11). Market-centred communication is not only limited to advertising, but also includes understandings about the role of markets overall (Bode 2008, p. 7). The politics of extending markets for welfare services point to how actors may contest markets for welfare, challenge the discourses promoting markets, and mobilize coalitions around opposition (Crespy 2016, p. 18; Crespy, Chap. 3). The long-term success of welfare markets depends on citizens' interpretations and use of policy instruments, and on public acceptance of welfare market institutional changes.

## 1.6 Actors, Agency, and Dynamics of Welfare Markets

Policy instruments and the outcomes of welfare markets form the common basis for the analyses in this volume of the sources and trajectories of dynamics in welfare markets. A key point is whether welfare markets become established and stable, or remain volatile, why, and/or whether

they expand their coverage, decline, or even fail to meet the original policy goals pursued in their creation (Nullmeier, Chap. 5). Dynamics of welfare markets may be driven by shifts in the relative importance of policy instruments (financial, regulatory, and informational instruments), in attempts to correct, stabilize, or expand welfare markets, or by how demand-side or supply-side financial, regulatory, or informational instruments are targeted in subsequent reforms and re-regulations. Likewise, dynamics in welfare markets may become evident through changes in the power or resources of particular actor groups, for example, changes from a state-dominated welfare market to a consumer-dominated one, or from a seller-dominated to a labour-dominated market. Changes may also occur in allocative dimensions (from universal to selective or vice versa) or in discursive dimensions (in the ways in which welfare markets are legitimated, and the degrees to which they are accepted or contested).

Following Streeck and Thelen (2005), we see the implementation of policy instruments organizing welfare markets as cases of gradual welfare institutional change, which in the context of the continental social welfare systems, tend not to *displace* or *exhaust* existing forms of welfare provision. Welfare markets in all the cases analysed in this volume begin with policies that layer market institutional elements onto established public or familial welfare institutions. Their dynamics, as Mahoney and Thelen (2010) emphasize, are actor-driven, and range from the erosion of the new welfare market institutions, in what Streeck and Thelen (2005) call *drift* (as in the failure of German private pension markets, Nullmeier, Chap. 5, and the outsourcing of domestic labour in Germany, Apitzsch and Shire, Chap. 13), or *conversion* of market elements (e.g. in the change back to social provision in the Swedish private pension markets, Köppe, Chap. 6). Welfare institutional changes occur not only in relation to formal policy changes, but also in the interpretation, practice, and implementation of financial, regulatory, and informational instruments and their outcomes.

States are key actors and initiators of welfare markets, but the dynamics of welfare markets, we argue, are also shaped by other actors, including regional and local governments, private for-profit and non-profit service providers, employers' organizations, and citizens transformed through welfare markets into consumers and users of private services.

Market actors may also include workers and trade unions, as well as experts, journalists, and other civil society actors who contribute to the legitimization of markets (Nullmeier, Chap. 5; Ledoux et al., Chap. 12).

Social actors are not neutral towards welfare markets: they use them strategically, interpret and judge them, anticipate their development, mobilize for or against their dynamics, and attempt to shape them in line with their own interests. The interpretation and implementation of welfare markets are thus also a factor in their dynamics and welfare institutional change (Mahoney and Thelen 2010). Social actors have different types as well as reserves of resources they can employ to influence how markets evolve. We draw in this volume on recent research about social organizations and movements, which shows how market categories and institutions can be objects of struggle, conflict, and contentious politics (Crespy 2016; King et Pearce 2010; Crespy, Chap. 3; van Hooren, Chap. 14).

Finally, the politics of welfare markets may also change, with the creation of new actors, such as consumer organizations (Blank, Chap. 9), employers' organizations (Ledoux et al., Chap. 12), or with shifts in power resources (Blank 2008; Pieper 2018). Market making can trigger self-reinforcing dynamics, or the contrary, negative feedback effects (Pierson 1993; Soss and Schram 2007). The contributions to this volume share the view that explaining the dynamics of welfare markets requires an actor-centred approach and focus on practice to identify the interests, roles, and coalitions of different sets of actors in legitimizing, challenging, stabilizing, and changing welfare markets.

## 1.7 Comparing Two Fields in European Welfare States

The contributions to this volume address welfare markets at the European Union level and in European countries situated in different types of welfare states, including countries with a conservative, familial, or social-democratic heritage, as well as one post-communist country in Eastern Europe (usually neglected in studies of welfare markets). Several chapters

cover comparisons of welfare markets in different types of welfare states, but also more local welfare markets. The countries studied include France, Germany, Lithuania, the Netherlands, Spain, and Sweden. This broader European focus raises a number of new issues, such as the role of traditional social policy actors, like social partners (trade unions and employers' organizations) and new ones (consumer organizations, the finance industry); the relationship between unpaid domestic labour and outsourced care services; and the dynamics of private pensions in volatile financial markets. The range of country cases and the comparison between old (pension) and new (care) social risks allows for an exploration of how different institutional and policy contexts as well as actor constellations are leading to unexpected convergences or new divergences in European welfare markets.

Across different types of welfare states, the delivery of welfare goods has increasingly opened up to private providers and the mix of private and public actors has brought new ways of managing the welfare state. Often this entails competition in social service markets, and the transformation of citizens into consumers (Blank 2008; Blank, Chap. 9). In the course of welfare market reforms, political elites across the party spectrum have begun to share the view that promoting competition has a "positive impact on the efficiency and the effectiveness of services, on their quality and flexibility or responsiveness to local and individual needs, and on their price" (Jantz and Klenk 2015, p. 109). In some welfare fields and especially in the six selected countries, these reforms may even be seen as path-shifting (Palier and Martin 2008).

In this volume, we juxtapose developments in welfare markets in two very different sectors to understand whether common trends can be found. These sectors are private pensions and home-based domestic/care work services, the latter covering domestic labour, child-, and elder-dependent care.<sup>3</sup> Old-age pensions are a long established and core field in welfare state research, involving a transfer, while domestic/care services are a more recent development, for the state and for welfare research, tied to policies for increasing women's labour force participation, demographic changes, and the creation of new service markets. Private pensions and domestic/care service markets differ systematically in the following dimensions: the nature of the good/service exchanged on the

welfare market (Sect. 1.7.1), the relation to state policies (Sect. 1.7.2), the nature of the actors in the fields (Sect. 1.7.3), and the time horizon of the objects of exchange (Sect. 1.7.4).

### 1.7.1 The Good/Service Exchanged

Private pensions and domestic/care services differ, firstly, concerning the nature of the object exchanged. In the private pensions sector, the welfare market aims to provide money to consumers, in order to maintain income after retirement or at least supplement savings. In contrast, the object of exchange in domestic/care services is labour, which is a human activity, often involving intimate tasks (Zelizer 2001). Domestic and care labour provided as a service takes a number of different employment forms, ranging from unregistered work to direct and formal employment relations, and often involving intermediary organizations, such as public agencies, non-profit organizations or for-profit firms. In all cases, buyers purchase labour power, which is then transformed in the household into the actual provision of services. This may situate ‘users’ or ‘consumers’ of welfare markets in the formal or informal position of ‘employers’, depending on how the welfare market is shaped through state policies.

Even when service workers are employed by a firm, which then dispatches them to a private household, the actual service work relation is at least partly controlled and supervised by the recipient, that is, the persons and families using domestic/care labour. As extensive research on care work has shown, home-based domestic/care workers where households are the employers can be in a particularly vulnerable position (Ehrenreich and Hochschild 2003; Yeates 2009; Lutz 2011; Triandafyllidou and Marchetti 2015). Moreover, domestic/care work is often racialized and highly gendered, especially when migrants comprise a significant share of the labour market (Anderson 2000; Marchetti 2014; Avril and Cartier 2014). States may take advantage of the demographic characteristics of domestic labour to construct such services in low-cost and less secure forms of employment, justifying such forms as incentives to improve the take-up of such services (Carbonnier and Morel 2015; Estévez-Abe and Hobson 2015; Shire 2015; Van Hooren 2018).



The differences in the objects exchanged in the two welfare markets covered in this volume—financial products versus labour service—may also imply variations in relation to the state, actor constellations, and the sorts of uncertainties faced by market actors.

### 1.7.2 The Relation with State Policies

Welfare markets for pension and domestic/care services are closely related to welfare services and goods directly provided by the state or local governments. The basic policy decisions concerning the level of income maintenance in public pensions entail important consequences for private pensions and open a space for them (Ebbinghaus and Gronwald 2011). These decisions are made differently according to the pension system. In systems which have kept the institutional organization inspired by Bismarck at the end of the nineteenth century, pensions are “contributory schemes which pay earnings-related benefits and are mandatory for particular occupational groups” (Ebbinghaus and Gronwald 2011, pp. 39–40). Financed by social contributions, public benefits are understood as being earned through employment and are thus more difficult to reduce (Bonoli and Palier 2007, pp. 20–24). Other countries have never adopted a real social insurance component (Britain) or abandoned it very early (the Netherlands, Switzerland) in favour of a tax-based scheme, applying the principle of the Beveridge report of 1942: a basic universal flat-rate public pension financed through general tax or non-credited payroll contributions. Though adopted early, the public pensions of Beveridgean schemes were meagre and thus opened the way for the parallel creation of private occupational pensions and pension fund components early on.

Pensions are part of the old welfare state, and market making in this sector often means introducing a new institutional layer or building upon an existing, but small private sector, whose growth depends on political decisions concerning public pensions. Private pensions have not replaced public pensions, but the fact that they are layered onto these opens the potential for private pensions to gradually crowd out public pensions (Hacker 2002; Ebbinghaus 2011). As this layering process has developed

over time, the timing and sequencing of events are very important for the politics of reform and the dynamics of welfare markets. Critical junctures have marked the changes in the public-private pension mix (Ebbinghaus and Gronwald 2011, pp. 27–30).

After the 1970s, a critical juncture in pension policy concerned the answer to the economic and demographic problems which challenged the sustainability of pension schemes. In France and Germany, a process of institutional layering fostered private pensions, allowing individuals to supplement their existing entitlements with a private component (Nullmeier, Chap. 5; Naczyk, Chap. 10). In Sweden, private pensions were merged into the public pension scheme, making private retirement savings by individuals mandatory, and thus universalizing the welfare market for private pensions (Köppe 2015; Köppe, Chap. 6).

Compared to the pension field, in the domestic/care services markets, the necessity for the state to finance and regulate was recognized much later (Bonoli 2007), with strong national and cross-national variations in types of domestic/care services (child care, elder care and domestic help). The transformation in this case was not from public to private provision, but rather to replace the unpaid labour of women in the family with market services. In France, and especially the Netherlands, publicly funded home-based care services were introduced starting in the 1950s and expanded in the 1970s and 1980s (Van Hooren and Becker 2012). Rather than financing the supply of services, care and domestic services, with some cross-sector and national variations, have been stimulated mainly through demand-side financing, including cash-for-care schemes and tax breaks (Bonoli 2007; Ranci and Pavolini 2013; Carbonnier and Morel 2015).

### 1.7.3 The Actors Involved

Because of their different nature and historical development, there are big differences in the ways in which collective actors are involved in private pensions and domestic/care services. In many Western European welfare states, strong employers' organizations and trade unions have been

involved in the organization and administration of old-age pensions for over a century. Consequently, these actors are directly affected by and have tried to maintain their position in marketization dynamics. Meanwhile, as a result of increasing marketization, insurance companies and pension funds have emerged as resourceful actors with the potential to influence policy choices and welfare market dynamics insurance companies have been particularly powerful actors (Naczyk, Chap. 10).

On the contrary, in the domestic/care services sector, the involvement of such organized actors has been weaker historically. Trade unions in European welfare states have been more focused on the (male) industrial sector than on the (female) care sector and hence usually have not developed a strong interest in its organization. Except in public sector institutional employment, care and domestic workers have not formed the core of trade union membership and unions have at most been marginally involved in the design and dynamics of these welfare markets. Similarly, employers' organizations have been nearly non-existent or, in some instances, have only recently developed an interest in the home services sector (Ledoux et al., Chap. 12). Compared to other sectors, the resources of employers' associations vary considerably cross-nationally. Beyond the organized actors, those who engage in pension and domestic/care markets are also different. While private pensions are bought by people before they become old and contributions are paid continually over time (this is also the case with long-term care insurance where it has been established), domestic and other care services purchases vary with changing needs over the life course (when children are young, when parents spend more time at work, when dependent elderly care needs arise).

#### **1.7.4 Uncertainty and the Time Horizon of Risks**

Finally, the dynamics of these welfare markets are related to different risks for the users in which time plays a key role. Domestic/care services entail the risk of being misused or abused (which also applies to the worker providing the service), getting a service without the expected quality, or (for the provider or worker) providing a service without the expected pay or working conditions. In pensions, the key risk is an income lower than

expected in the future. Consequently, the dynamics of private pension schemes are related to the capacity to anticipate the long-term future while care and domestic work welfare markets are much more developed around the selling and buying of services currently needed, and market exchanges may be more short-term.

## 1.8 Users, Employers, Firms, and Labour in the Dynamic (Re)construction of Welfare Markets

All the contributors to this volume share a common interest in the study of welfare market dynamics. These dynamics articulate micro, meso, and macro dimensions and concern time periods which differ from one market to another. In all cases, changes are analysed between the situation at a given moment  $t$  and the situation at a later time  $t+1$ , or beyond. These changes concern very different dimensions of welfare markets: size, prices, the social order of the market itself, social discourses about welfare markets, the distribution of the goods and services, production and employment conditions, the power of actors on the market. These different dimensions may evolve autonomously, or interact with each other, so that in certain circumstances, the politics of the welfare markets themselves change. The two sectors and the country cases analysed in the volume contribute to a better understanding of the functioning of welfare markets, the mechanisms that determine their transformation at different levels of analysis, and convergence and divergence in their dynamics.

The volume is structured into five parts. Part I, following this introduction, includes two different approaches to general welfare market dynamics in Europe. Chapter 2 by Jane Gingrich presents an overview of the state of research about welfare market dynamics. She distinguishes two dimensions along which welfare market dynamics affect actors: the distribution of goods and services across groups, and the power relations between them. Three spheres are affected by market dynamics: the electoral, the bureaucratic, and the productive. Gingrich shows the heterogeneity of welfare market dynamics: welfare markets may create dynamics

of unequal distribution and greater private power, but they do not always do so. Gingrich conceptualizes and illustrates how, with examples from different countries and sectors changes in the state may occur through markets. She invites us to look at the details of regulation, financing, and incentives which operate for different actors, and underlines that the political consequences of welfare market dynamics are not universal.

Chapter 3 by Amandine Crespy engages in a discursive institutionalist analysis of the role of the European Union in the marketization of welfare, focusing on policy reforms and contestations thereof in welfare markets at the European and national levels of many EU member states. She shows how, over time, opposition to the organization of welfare markets at the European level has become more and more difficult. While opposition to the Service Directive of Commissioner Bolkenstein triggered a pan-European mobilization between 2004 and 2006, since the 2008 crisis, market-promoting decisions by the European Commission have been much more difficult to contest.

Part II turns to research on the (re)construction of domestic/care service and private pension welfare markets. Chapter 4 by Zenia Hellgren and Barbara Hobson argues that welfare markets are shaped to varying degrees by the type of welfare system in which they are embedded. They do so by comparing home-based domestic care labour in Spain and Sweden, two welfare markets which differ in terms of policy instruments, access to services, and in the employment conditions of home-based domestic and care workers. The Spanish domestic/care service market is best described as a “hidden welfare market” due to its reliance on the direct employment (often without contract) of mainly migrant (often undocumented) labour. The Swedish reliance on tax credits for services of domestic workers, who are formally employed by service firms, is congruent with the reliance on tax-financed and socialized welfare service provision in this country. Yet, especially since the 2008 crisis, the dynamics of these different welfare markets exhibit surprising similarities in how access is limited to higher earning households, and in the relatively poor working conditions of welfare workers, especially migrants. Despite the formalization of domestic labour in Sweden, many migrant workers,

even in enterprises, do not receive an employment contract. Thus, the traditional differences in types of welfare state do not shape the dynamics of welfare markets for domestic/care services as much as might be thought.

Chapter 5 by Frank Nullmeier analyses the dynamics of the German *Riester* pension, a private pension program co-financed by the German Federal government. For Nullmeier, the *Riester* pension established in 2001, provides a case study of a welfare market failure, and his aim is to understand what contributes to the stagnation of the private pension market in its second decade. Nullmeier seeks an explanation for market failure in politics and reforms, in changes in the economic environment, especially declining interest rates, and in policy discourses promoting or disparaging the private pension scheme in interaction with political reforms and economic conditions. The failure was not, in his analysis, due to a lack of political reform activity, though a shift in political aims to promoting occupational pensions is noted. Economic conditions may have played a more important role, as declining interest rates from 2008 affected the attractiveness of pension savings plans. This depended, however, on discourses about the policies in academic circles and the print media. In his original analysis of two leading news dailies in Germany between 2005 and 2016, Nullmeier shows how the relative weight of positive and negative statements about the *Riester* pension turned to predominantly negative statements after 2008. By 2016, statements of political actors across the party spectrum had adopted the ‘failure frame’ in their discussion of the *Riester* pension. While politics and economics matter, Nullmeier stresses the impact of policy discourses on the political and economic dynamics of welfare markets.

All the more surprising is the relative success of a third pillar of private pensions in Sweden, which, with its matched contributions, might signal a departure from the traditional tax-based social-democratic social security institutions. Comparing the Swedish private pension to the political development of the German *Riester* pension, Stephan Köppe finds evidence for the return, in Sweden, to policy interventions stressing more universalistic rather than market-based distributional outcomes. Thus, the poor economic conditions discouraging private saving pension plans

in Germany, and leading to the erosion of the German pension welfare market, are counteracted in Sweden by the state stepping back into the market. The Swedish state, Köppe shows, has attenuated market competitive mechanisms through new regulations which graft the traditional social-democratic social protection aims of state provision onto the market system.

In terms of institutional change, the German pension market is layered onto the statutory scheme, but fails to bring about a turn to the market. In Sweden, private pensions fail similarly, but by converting back, through state intervention, to a social-democratic welfare type of social security.

Parts III, IV and V focus on the role of specific actor constellations in the dynamics of welfare markets.

Part III addresses the dynamics on the users' side, that is, investors (in the case of private pensions), private households and their members needing care (in the case of domestic/care services), and the organizations representing them in politics and the market. This section fills an important gap in the literature about the experiences and responses of users, and how they shape the development of welfare markets. Chapter 7 by Ingo Bode and Ralf Lüth examines the mind-sets of users faced with decisions about investing or not in private pensions in Germany. Bode and Lüth argue that the public debates and reforms covered in the chapters by Nullmeier and Köppe in Part II of this volume have created a 'capricious environment' within which users mostly experience disorientation and anxiety about how and whether to invest in private pension schemes. They find that German citizens with a steady income, and thus a predictable statutory pension, are more likely to plan actively for post-retirement income and to take on the financial risk of investments in the private pension market, while those who are working in less secure employment, and who ostensibly need to plan and save, fail to do so at all. While fears about the future cut across socio-economic lines, those who exhibit the most anxiety tend also to trust political institutions the least. The failure of the private pension market to provide a sustainable alternative form of social security for those who may be most in need of it, potentially feeds into authoritarian political movements and discourses of 'welfare nationalism.'

Chapter 8 by Eve Meuret-Campfort turns to examine how elderly French persons eligible for subsidized home elderly care services take on the role of employers of care workers. While 80 percent of such services financed by the main elderly care allowances are provided by for-profit and non-profit organizations, the focus is on the 20 percent of households that continue to directly employ care workers, often in order to gain more control over the choice of care worker and the work performed and because it is cheaper. She defines the role of employer as a form of work itself, given how the relatively well-regulated French market has created administrative procedures, and obliged users to make formal labour contracts and abide by collective agreements, about which they may have no information. As in the case of users of private pensions in Germany, she finds a difference between wealthier households, who are accustomed to acting out the role of employer, and working-class households, who even if they have the administrative skills to enter into labour contracts and manage work, shy away from the dispositions required of employers. As a result, many households pay intermediary organizations to handle recruitment and administrative procedures, with the benefit of professionalizing and formalizing household employment relations. Still, many elderly persons are not able to find and engage an intermediary organization on their own, meaning that the employment of domestic/care labour involves the 'hidden labour' of other family members. Elderly without family members to support them, and who may thus be in most need of market services, are thus also most likely not to use this market.

Welfare markets transform users into consumers, and Chap. 9 by Florian Blank examines the presence of consumer organizations as new actors in the politics of welfare markets in Germany. In an original analysis of the participation of consumer organizations in government hearings about pension and health care reforms over the past three decades, Blank finds that such organizations have gained a regular presence in policy deliberations in Germany. In the commissions where pension reform is discussed however, consumers only are invited to sessions about private pension reform. In commissions deliberating health care reforms however, consumer organizations are not restricted to discussing private insurance, and have gained a voice in the full-range of public and private health care reforms.



In Part IV, the discussion turns to the dynamics of firms and employers in welfare markets, with two chapters focusing on pensions covering France and Lithuania, respectively, and one chapter about domestic/care services employers in France. Chapter 10 by Marek Naczyk on financial service enterprises in France analyses how welfare markets for private pensions can split business interests, trade unions, and political parties and how these markets can be segmented. Tracing the development of tax incentives dedicated to private retirement products, the author shows how French policy makers tried to enhance these incentives in the context of the retrenchment of pay-as-you-go schemes and strong opposition against these products. The social partners saw the development of private accounts as a threat to the schemes they already managed and some members of the socialist party feared the development of ‘social liberalism’. On their side, insurance companies wanted to develop their own products. Compromises were reached which institutionalized a segmented private pensions market, prior to the liberalizing reforms initiated by Emmanuel Macron, aiming at the creation of a single product.

In Chap. 11, Audrius Bitinas introduces the European Union and the European Court of Human Rights as actors that can shape welfare markets. He shows that European actors have been very active in the promotion of occupational pension schemes, through their legitimization, but also through different directives and Court decisions. Nevertheless, despite the continuous efforts of experts and international organizations to promote a welfare market for funded occupational pensions, discourses and instruments failed to create one in Lithuania because of the lack of financial incentives, the weakness of social partnership, and the widespread use of quasi-mandatory privately managed pension schemes. As in other cases, the development of this welfare market has been dependent on the availability of other alternatives.

Chapter 12 by Clémence Ledoux, Rafael Encinas de Muñagorri, and Virginie Guiraudon turns to the role played by employers’ organizations in the organization of welfare markets. The authors show how the conflict within the main French national confederation of employers between the services sector and the industry sector made possible the emergence of specific organizations defending the interests of for-profit providers of home services, before the creation of such firms. These organizations had

to integrate the classical repertoire of action of social partners, to organize emerging firms, to rely intensively on expertise, elite networks, but also on the European directive on services in order to make the policies more firm-friendly and to orientate the welfare market towards a more producer-dominated market. The chapter shows how successful these strategies have been. The employers' organizations studied have managed to become considered as representatives of the home-based care/domestic sector, and they have been successful in securing market access and demand-side financial instruments for firms. While for-profit firms were absent in the home-based domestic/care sector until the 1990s, they have grown very quickly in the 2000s, and have also achieved access to the financing of the home-based care allowance.

The dynamics on the labour side covered in Part V focus on domestic/care service markets, which, unlike private pensions, depend on the organization of a labour force of service workers. This part focuses on different cases of conservative welfare states, which, to varying degrees across the sub-sectors of domestic labour, child and elderly care, have relied on the unpaid labour of women in households. In Chap. 13, Birgit Apitzsch and Karen Shire show how welfare market instruments have created very diversified public, non-profit and private for-profit service sectors, with systematic variations in employment forms and working conditions. They view the development of the home-based private market sectors as involving the informalization of employment and working conditions, and the exclusion of home-based domestic/care workers from collective representation. Overall, this is due to the combination of financial instruments with regulations which set lower floors than for formal sector equivalents for training, social protections, and wages of welfare service workers. Trade unions, to the extent that they attempt to represent home-based domestic/care workers, only do so as far as their interests converge with those of their core constituent members.

Trade unions in the Netherlands and France have responded quite differently to the representation of domestic and care workers. Chapter 14 by Franca van Hooren shows that in the Dutch case, trade unions have been key representatives of workers in all three marketized domestic/care sectors: child care, home care and household services. As in Germany, in each of these sectors, the reforms encouraging the creation of for-profit

providers and competition have had negative consequences for employment opportunities and working conditions. While trade unions opposed these reforms, they have not been able to prevent or alter them. In increasingly complex care markets, involving local governments, for-profit and non-profit providers, clients and parents' organizations, trade unions have started to follow more confrontational strategies with the aim of enhancing workers' power position. The effects of these new strategies have been mixed or are still to be seen.

In the final Chap. 15 by Marie Cartier, the focus is on a sub-sector of child care in France, *mothers' assistants*, who are the equivalent to the *day mothers* in Germany who care for children in their own private homes. Spanning 30 years of research on this sector, Cartier shows very clearly the effects of adding protective employment regulations to financial instruments on the quality of employment and working conditions in welfare markets. In contrast to Germany, where day mothers are defined as self-employed businesses, mothers' assistants since 1977 have been clearly classified as workers, with labour contracts, and who are partially covered by labour laws, and since 2004 by collective bargaining, with access to the labour courts in cases of disputes. The processes of *juridification* of working relations and *judicialization* of disputes launched by state regulations, she shows, have transformed the capacities, occupational status, and identities of home-based child care workers, from mothers who are paid to look after the children of other mothers, but who are not concerned about low job status, to professional care workers with specific employment and social protections, and resources for enforcing these.

## 1.9 Main Contributions and Future Research Issues

The journey undertaken to explore the dynamics of established welfare markets across sectors and types of welfare states brings us to underline three main contributions of this volume—first, the resilience of welfare markets, even to survive their own failure; second, the relations between welfare markets and other types of social orders; and third, how external

shocks affect the dominance of specific actors. We conclude this discussion of the main contributions by mapping out the research agenda that emerges from this volume.

### 1.9.1 The Resilience of Welfare Markets

In all the cases analysed in this volume, welfare markets have been introduced and developed through institutional layering processes rather than through a paradigmatic change in the established welfare state institutions. Nonetheless, the different types and combinations of policy instruments matter for the dynamic development of welfare markets and their form of persistence. Despite differing levels of success, despite their failure, external shocks, scandals and criticism, the welfare markets studied in this volume remain in place and have shown resilience.

Even where markets fail, in the sense of stagnating or falling short of covering the neediest populations, the market as a form of provision persists. For example, the German pension market has continued to be reformed in new directions as a result of policies directed towards a well-established financial sector, in spite of the market's glaring underperformance; the French pension markets have shown their adaptive abilities by activating private firms, and creating new investment options. Where welfare markets entail the creation of a formal labour supply, however, financial incentives for using services is best coupled with regulatory instruments aimed at formalizing the labour supply. Explicitly formalizing labour and extending established regulations activate the interests of trade unions and employers' organizations. The comparisons in this book suggest that more unpaid labour will be shifted to the market as labour markets for domestic/care labour become more formalized and standardized. Yet, hidden welfare markets may co-exist alongside formalized segments.

Welfare markets are not immune to scandal, as in the case of the Swedish pension scheme. The way in which they develop may also have unintended effects, as in the ways in which gendered divisions of labour in Germany tend to be re-traditionalized. Nevertheless, scandals, unintended consequences, and outright opposition have led to policy

adaptations and renewed implementation, rather than the demise of welfare markets. In Sweden and France, the welfare markets for care/domestic work thrive, in part by converting to more redistributive mechanisms within an overall market framework.

Yet, so far, welfare markets have not replaced public provisions and protections, at least not in the European Union member states surveyed in this volume. In fact, they have either layered onto existing social protections (pensions) or extended into domains that have not traditionally been covered by welfare states in many countries—such as home-based care for young children and elderly adults, or the provision of domestic labour—while keeping traditional forms of family support in place. Thus, even the very well organized markets for home-based elderly care in France depend heavily on family members for recruiting and managing hired care labour. We acknowledge that the crowding out of public provision of care by welfare markets may occur in countries in which such public care provision has been more developed, for example, in Scandinavian countries (Andersson and Kvist 2014).

These findings lead us to stress the high degree of *resilience* of welfare markets once they have been established. We borrow the concept of resilience from Vivien Schmidt and Mark Thatcher, who use the term to characterize the persistence of neo-liberal ideas across different policy fields and political contexts, where market ideologies “endure, recur or adapt over time”, outlasting challenges of rivals, and surviving despite their own apparent failure (Schmidt and Thatcher 2013, pp. 13–16). Tailored to the study of welfare markets, we define resilience as the persistence and adaptability of market policies and practices in a generally market-sceptical social realm infused with principles of social justice and distributional equality.

In part, the resilience of welfare markets may be explained by their adaptability, the wide variety of interests that stand to be activated by the unique configuration of each welfare market, and by the feedback effects (Pierson 1993) of policies. The emergence of new actors, in the form of enterprises, employers’ organizations, and consumer interest groups feed back into policy processes for reinforcing market instruments (especially evident in the French domestic/care sector). The users of services have also become accustomed to the private services/benefits they receive, and

as a result, welfare markets have become legitimated. Even in the more gender conservative German and Dutch cases, families have now come to depend on paid domestic/care services, which a generation before, might have signalled a failure of the family as an institution and of women in their roles as housewives and caregivers.

### **1.9.2 Markets in Welfare in the Long Run: Families, Citizens, and the Welfare State**

The continuity (or at least a lack of disruption) that emerges from the resilience of welfare markets shifts the relation between market, public, and familial dimensions in ways that are more complex than theories of institutional change suggest and that can have important effects in the long run. What is at stake is not only the conversion, drift, or displacement of established and formal institutions, but also the prevailing assumptions about what states do, what families do, the effects of welfare markets on traditional categories like male breadwinners securing family livelihoods, and women devoted to the care of their families. Moreover, the competitive offers that are traded in welfare markets change the mind-sets of those who may buy their products and services, but not everyone is able to adapt to the market game. Disorientation, anxiety, and fear are just as equally outcomes of welfare markets, as are new identities as consumers with choices and opportunities. Welfare markets in fact, seem to require 'more state' in the sense of regulatory as well as financial or informational policy instruments, if they are to benefit citizens with fewer dispositional and material resources for engaging in market risks. Even where the state is not dominating the market, if states fail to regulate or properly inform citizens about welfare markets, the result may not only be the stagnation of welfare markets, but endangering the trust of citizens in public administration.

The contributions to this volume show how welfare markets converge and diverge in unexpected ways, even within the same sector and country. For example, in the Netherlands, a demand-side financed child care sector exists in parallel with a supply-side financed market in elderly care, with different outcomes for work and employment conditions. In very

different countries like Sweden and Spain, similar market drawbacks become visible, for example, in the precarious employment situations of migrant care workers. Traditional types of welfare states are cross-cut, while different dynamics of public, market, and family welfare exist within one country across welfare sectors.

Nevertheless, even if cross-national differences in welfare markets do not align with the established typologies of welfare states, the dynamics of welfare markets are not totally independent from traditional welfare institutions. Especially the development of domestic/care markets in Germany suggests that familialism continues to shape the dynamics of welfare markets for home-based child and elderly care, and for domestic work.

Beyond the mid-term perspective, we see how welfare markets could transform welfare states in the long term, by changing their context, at the interest representation level, and at the exchange and production level. We have observed new actors participating in welfare policy debates: insurance companies, consumer organizations, new economic segments, and employers' organizations, alongside non-governmental organizations, such as migrant rights groups, with whom in some contexts, trade unions cooperate. At the exchange and production level, for-profit companies, which had been absent from certain sectors of the welfare landscape now operate there. All these transformations may have important long-run consequences for weakening welfare state principles of redistribution and social justice, though we see this as depending on the political direction of welfare market regulations.

### **1.9.3 External Shocks and Dominant Actors**

Welfare markets are intrinsically vulnerable to economic shocks, which would not be the case in the same manner if these services had been publicly provided. The welfare markets covered in this volume have been subject to two major shocks over the past decades—the financial crisis starting in 2007 and the Covid-19 crisis unfolding just as we prepare to submit this manuscript in Spring 2020. The effects of these crises however, are uneven, across sectors, types of policy instruments, and market

actors. Surprisingly, the private pensions schemes in France and Germany have not been adversely affected by the financial crisis, beyond the fact that declining interest rates have made savings plans less attractive to consumers. Instead, state responses to the financial crisis in the form of austerity measures have more adversely affected the domestic/care markets, especially in the case of demand-side financial instruments and in relation to overall cuts in state subsidies. Thus, the child-care market in the Netherlands and the domestic labour market in Spain have been more adversely affected than elder care in the Netherlands and France. The comparison of home-based domestic/care labour in Germany and France suggests that informalized employment relations in private households amplify the employment risks faced by workers.

Such comparative differences are becoming visible in the Covid-19 crisis too, with many home-based services for child care and domestic labour stopped in the countries where labour relations are largely informalized. Meanwhile, as a result of the public health crisis, the relatively poor wages and harsh working conditions of home-based elder care workers are receiving wide attention in countries like Germany, which have long tolerated gender segmented labour markets. If welfare markets can survive these shocks, crises at least have the potential to change the balance of power between actors in these markets.

While the intersection of financial, regulatory, and informational instruments are key to understanding how redistribution and power relations are shaped, the chapters do not point to any simple relation between forms of financial policy instruments (demand- versus supply-side subsidies or credits) and the advantaging of one group of actors over another. Regulations instating labour rights for mothers' assistants (*assistantes maternelles*) and the mobilization of the profession as a group have been the key factor in balancing the power of users and workers in the exchange of home-based childcare in France. In a similar light, the overall emphasis in France on building an elderly sector of provider organisations, rather than a sector based on direct employment of domestic/care workers by households, means that even when elderly call upon direct hires, an intermediary provider organization can be hired to help them in doing so. In this way, service provision is simplified and low-income households are better enabled to use these services, despite their predispositions against 'hiring help' (compared to wealthier households,



which have always done so). These findings also underline the importance of paying attention to the labour dimension of a welfare market, where the combination of financial and regulatory instruments, and a balanced distribution of power among market actors clearly lead to a more vibrant welfare market, higher quality, professionalized welfare services, and the better integration of care workers into existing infrastructures of industrial relations, collective bargaining and labour standards.

### 1.9.4 Exploring the Future of Welfare Markets

While this volume contributes insights into the interactions of different policy instruments, and the role of actors in developing welfare markets founded on the basis of these policies, more research is needed on the outcomes of these interactions especially for allocative and distributional dimensions of welfare markets. We suggest that welfare markets do not simply mean the creation of new inequalities on the basis of winners/losers in market competition. This is because sustainable welfare markets involve 'more' rather than 'less' state, and policy instruments potentially support the capacities of weaker actors, including users as consumers, workers as service providers, and private individuals as employers. While anything that contributes to the resilience of markets may be seen as undermining socialized public provision, especially in the field of domestic/care labour, welfare markets can also take on tasks that had been hidden behind highly unequal gendered divisions of labour. Thus, the question is how to embed marketization and how to legislate restrictions on the commodification of welfare service labour. Financial instruments alone can amplify existing inequalities, while pairing these with regulations improving protections, and with information empowering users and workers potentially mitigates inequalities and may even serve to protect against economic shocks. These dynamics deserve more systematic analysis.

A strong contribution of this volume is its comparative approach—both cross-sectoral and cross-national. The lines of convergence and divergence we uncover are a second dimension where more research is needed. The emphasis on the labour dimensions of welfare markets suggests extending the comparative sectoral analysis to other labour-intensive welfare markets,

such as private health care and private employment services. The range of countries covered in this volume has been limited, in part by the corpus of existing research on welfare markets. There seems to be a focus especially within the welfare research communities on social-democratic and conservative welfare states. The inclusion of Southern European and Eastern European countries in this volume should be expanded, with a focus on intra-regional variations, but also on the role of local governments, and broader cross-national, cross-sectoral analyses.

Finally, crises, both financial and public health, provide natural experiments for teasing out the vulnerabilities and strengths of welfare markets in cross-national and cross-sectoral variations. In the context of the Covid-19 crisis in 2020, countries like Germany are promising reforms of welfare service labour markets in elder care and health care to improve wages and working conditions, and to bring these sectors more in line with traditional institutions of collective bargaining and industrial relations. Likewise, European discussions about a European fund to finance the recovery from the Covid-19 crisis especially in Southern European member states indicates a degree of learning from past mistakes, when austerity was mandated and cut-backs in state financing and the deregulation of welfare labour caused a systematic under-investment in public health facilities in countries like Spain and Italy. Our evidence suggests that *the most sustainable welfare markets* may be located in *the least neo-liberal-market* European welfare economies.

## Notes

1. The consumer can here be considered as the one who pays for the service and the user the person who benefits from the service.
2. Note that Esping-Andersen's typology is a theoretical construct. In practice, 'market' provision was often already financed by the state in some way (see accounts of US social policy), meaning that welfare markets have existed for a long time, especially in more liberal welfare states. Moreover, conservative welfare states have often relied on the non-profit sector for welfare provision without operating in a real market structure (Bahle 2003).

3. In practice, it is often difficult to distinguish between the forms of home-based care and domestic work, with care work often including domestic labour like cleaning and cooking at the client's home. In the case of care, market services may mean care provided in someone else's home (see van Hooren Chap. 14; Apitzsch and Shire, Chap. 13; Cartier, Chap. 15).

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